MAGNA
1997 ANNUAL REPORT

CORPORATE PROFILE

Magna International Inc. is a leading global supplier of technologically advanced automotive systems.

The Company employs more than 36,000 people at 128 manufacturing divisions and 26 product development and engineering centres throughout North America, Europe and Asia.

As one of the most diversified automotive components suppliers in the world, Magna designs, engineers and manufactures a complete range of exterior and interior vehicle systems.

Magna is recognized by its customers, the major automotive Original Equipment Manufacturers (OEMs), for its innovative technology and product design and total vehicle program management.

Magna is a public company with Class A shares listed and traded on the New York Stock Exchange in the United States (MGA), and The Toronto Stock Exchange and the Montreal Exchange in Canada (MG.A). The Class B shares are listed and traded in Canada on The Toronto Stock Exchange (MG.B).

TABLE OF CONTENTS

Financial Highlights	1
Magna's Corporate Constitution	2
The Chairman's Message	3
Letter to Shareholders	4 – 5
Corporate Overview	6 – 7
Operating Structure & Principles	8
The Magna Employee's Charter	9
Cosma – *Body & Chassis Systems*	10 – 11
Magna Interior Systems – *Trim Panels, Metals & Mechanisms and Seating Systems*	12 – 13
Decoma – *Exterior Systems*	14 – 15
Magna Mirror Systems	16 – 17
Atoma – *Closure & Electronic Systems*	18 – 19
Tesma – *Powertrain, Cooling & Fueling Systems*	20 – 21
Magna Europe – *Automotive Systems*	22 – 25
Magna Content	26 – 27
Strategic Developments	28
Financial Review	29 – 50
Magna Products & Services	Inside Back Cover

The 1997 Annual Meeting

The 1997 Annual Meeting of Shareholders will be held at Roy Thomson Hall, 60 Simcoe Street, Toronto, Ontario, Canada on Thursday, December 4th, 1997 commencing at 10:00 a.m.

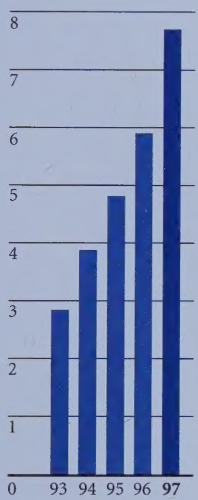
Growth

FINANCIAL HIGHLIGHTS

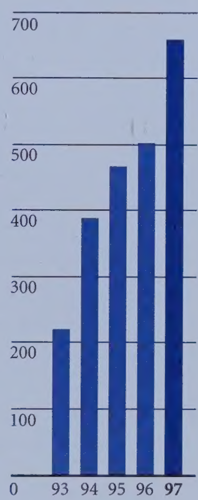
[Canadian dollars in millions, except per share figures]

	1993	1994	1995	1996	**1997**
Sales	$2,878	$3,884	$4,795	$5,856	**$7,692**
Operating Income	225	392	468	501	**660**
Net Income	140	234	317	319	**603**
Fully Diluted Earnings Per Class A or B Share	2.55	3.87	5.16	4.71	**7.74**
Capital Expenditures and Investments	130	414	466	501	**1,239**
Shareholders' Equity	844	1,320	1,669	2,757	**3,266**

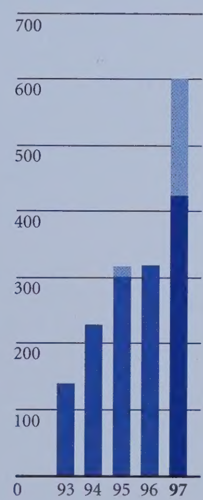
Sales
[Canadian $ Billions]



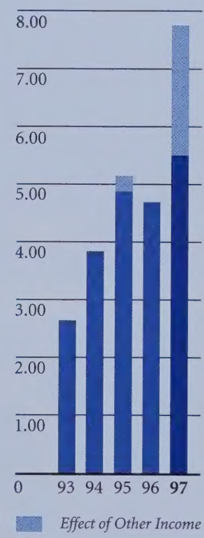
Operating Income
[Canadian $ Millions]



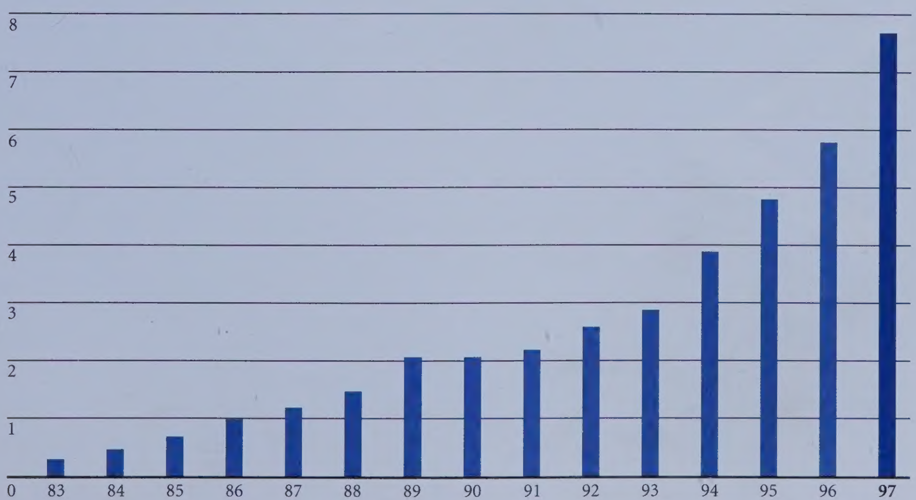
Net Income
[Canadian $ Millions]



Fully Diluted
Earnings Per Share
[Canadian $]



15 Year Sales Growth
[Canadian $ Billions]



Vision

Magna's Corporate Constitution

Employee Equity and Profit Participation

Ten percent of Magna's profit before tax will be allocated to employees. These funds will be used for the purchase of Magna shares in trust for employees and for cash distributions to employees, recognizing length of service.

Shareholder Profit Participation

Magna will distribute, on average, not less than 20 percent of its annual net profit after tax to shareholders.

Management Profit Participation

To obtain long-term contractual commitment from senior management, the Company provides a compensation arrangement which, in addition to a base salary below industry standards, allows for the distribution of up to six percent of Magna's profit before tax.

Research and Development

Magna will allocate a minimum of seven percent of its profit before tax for research and development to ensure the long-term viability of the Company.

Social Responsibility

The Company will allocate a maximum of two percent of its profit before tax for charitable, cultural, educational and political purposes to support the basic fabric of society.

Minimum Profit Performance

Management has an obligation to produce a profit. If Magna does not generate a minimum after-tax return of four percent on share capital for two consecutive years, the Class A shareholders, voting as a class, will have the right to elect additional directors.

Unrelated Investments

Class A and Class B shareholders, with each class voting separately, will have the right to approve any investment in an unrelated business in the event such investment together with all other investments in unrelated businesses exceeds 20 percent of Magna's equity.

Board of Directors

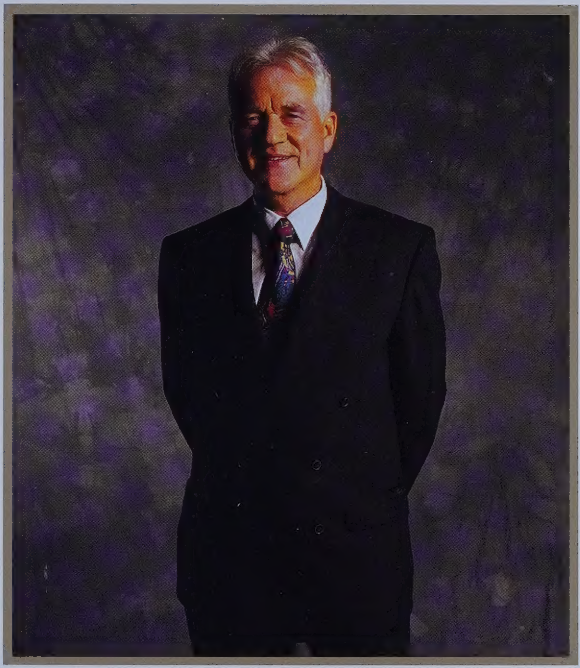
Magna believes that outside directors provide independent counsel and discipline. A majority of the members of Magna's Board of Directors will be outsiders.

Magna's Corporate Constitution publicly declares and defines the rights of employees and investors to participate in the Company's profits and growth while also imposing certain disciplines on management. These features strike a balance between employees, investors and management while allowing the Company to maintain an entrepreneurial environment which encourages productivity.

Magna is a public company with two classes of shares: a Class B share which carries a multiple vote, held primarily by management and their associates, and a Class A share for investors and employees which carries a single vote. This share structure has been in place since 1978 and enables management to have operating control of the Company on a day-to-day basis, provided it adheres to the Corporate Constitution.

Any change to Magna's Corporate Constitution requires the approval of the Class A and Class B shareholders, with each class voting separately.

THE CHAIRMAN'S MESSAGE



Frank Stronach
Chairman of the Board

Fiscal 1997 proved to be Magna's best year ever, with exceptional results in sales, profits and shareholder returns. Although North America remains the foundation for our success, Europe played a substantial role in helping Magna achieve another record-setting year.

Much of my time and focus is now spent in Europe, which is becoming an increasingly important centre of activity for Magna. In 1992, when Magna began to expand our European operations base, the Company had annual sales in Europe of approximately $100 million. Today, some five years later, annualized sales are approaching $2 billion. From several small divisions centred in Austria and Germany, we now have operating divisions in eight European countries. We have significantly expanded our European manufacturing capabilities to include most major interior and exterior automotive systems, mirroring to a large extent the systems capabilities of our North American groups. Through strategic acquisitions, we continue to enhance our automotive systems capabilities in each of the major vehicle areas, add new technologies and processes and expand our customer base. All of these actions in Europe will ultimately strengthen the Company's ability to service our customers on a global basis.

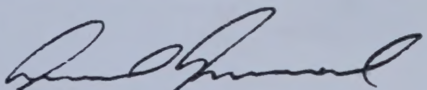
We are also beginning to see some of the early fruits of the technological cross-fertilization process we initiated several years ago. Key technologies have been successfully transfered between divisions in Europe and North America. As we continue to grow in Europe, we will gradually implement Magna's unique operating philosophy and corporate culture in each of our new divisions.

During the past fiscal year we sold the majority interest in our air bag and steering wheel business, which we felt was not critical to our long-term strategic goals. By providing focused management and operational turnaround expertise, Magna was able to significantly enhance the profitability and value of the air bag business operation we acquired in 1993, enabling the Company to earn considerable profit on its sale.

We have begun exploring investment opportunities in other non-automotive business areas in order to utilize Magna's expertise in other fields and create an additional economic base for the Company's long-term future. However, with virtually no debt and a highly-disciplined management team in place, we will remain extremely focused and will continue to emphasize and expand our core automotive business.

As Magna's various automotive systems subsidiaries continue to grow in size and profitability, we will continue to examine the possibility of spinning out one or more separate public companies along the same lines as the successful public offering of Tesma International Inc. two years ago. Doing so will ensure that we are able to attract and retain the very best management. It will also provide the managers and employees of our various systems subsidiaries the opportunity to acquire shares in these newly-created public companies, thereby fostering a much closer involvement and direct ownership in the business. This will maintain Magna's highly entrepreneurial culture which allows our people to be recognized for their contributions and rewarded accordingly.

In closing, I would like to thank our employees and managers, for providing exceptional product quality and innovation and unrelenting customer service and dedication. I would also like to thank our investors, for their continued patience in Magna's highly selective acquisition and investment strategy – a strategy designed to generate continued above-average growth and return on investment. Lastly, I would like to thank our customers, who have responded to our new products, technologies and systems management capabilities by offering us an ever-increasing number of new contracts and future business opportunities.



Strategy

LETTER TO SHAREHOLDERS

Fiscal 1997 was another record-breaking year for the Company. Our growth was fuelled by a substantial increase in the dollar content per vehicle of Magna-produced components and systems and a number of strategic acquisitions.

Left: William H. Fike
Vice-Chairman and Executive Vice-President

Right: Donald Walker
President and Chief Executive Officer

Consolidated sales increased to $7.692 billion. Net income, including other income of $177 million, was $603 million, compared to $319 million the previous year. Fully diluted earnings per share in fiscal 1997 were $7.74, compared to $4.71 in fiscal 1996. Our balance sheet continues to remain one of the strongest in the industry, with cash balances of approximately $900 million, most of which is earmarked for the acquisition of businesses and technologies that strengthen our core automotive systems expertise and broaden our product line, particularly in Europe.

Highlights of the past fiscal year included the awarding of additional systems integrator contracts. These contracts involve managing the design, development and delivery of complete interior and exterior vehicle systems, and follow on the heels of our successful work last year as the systems integrator for the Lincoln Navigator. Other highlights included the successful launch of several hydroformed components and systems for new vehicles and the construction of a large facility devoted to hydroforming production. As we continue to develop and expand our proprietary hydroforming processes and products, we remain confident that this new technology will create major growth opportunities for the Company.

We also completed a number of important strategic acquisitions in the past fiscal year. These acquisitions allowed us to increase our technical resources, further broaden our customer base – particularly in Europe – and help set the stage for the supply of components and systems on global vehicle platforms. The European acquisitions continued our strategy of purchasing companies that strategically complemented or enhanced our systems capabilities. The Douglas & Lomason acquisition, together with the Tricom seating purchase, now give Magna critical mass in seating systems areas, with the capability to provide seating systems on a global basis. The addition of Georg Naher, YMOS interior and exterior plastic products and Caradon give us a very strong position in interiors and exteriors in Europe.

Magna now employs over 36,000 people in 128 manufacturing facilities throughout the world. The skills, knowledge and commitment of our employees are fundamental to Magna's continued success. In keeping with our goal of providing an enriched environment for our employees we have also launched an employee health promotion pilot program which, we anticipate, will be rolled out to all our divisions.

Our intense focus on new technological innovation and technical expertise led to the development of a number of exciting new products and modular systems which are either currently in production or slated for future production. In order to strengthen the Company's technological foundation, we are also establishing a new Technical Training Centre, located near Toronto, that will focus on training tool and die and mould makers – the traditional backbone of Magna's automotive capabilities.

In the year ahead, we expect continued growth and expansion in strategic geographic markets, product lines and process capabilities. We will continue to focus on providing our customers with cost-effective systems solutions that incorporate leading-edge technology, and we will strengthen our industry-leading role as vehicle systems integrators.

In closing we would like to take this opportunity to thank our shareholders, employees, managers and customers for making fiscal 1997 our most successful year yet.

Donald Walker
President and Chief Executive Officer

William H. Fike
Vice-Chairman and Executive Vice-President

From left:

J. Brian Colburn
Executive Vice-President, Special Projects and Secretary

Vincent J. Galifi
Executive Vice-President, Finance

Donald Amos
Executive Vice-President,
Administration & Human Resources

Graham J. Orr
Executive Vice-President, Corporate Development

From left:

Rick Hrga
President, Atoma Closure & Electronic Systems

Fred Jaekel
President, Cosma International Inc.

C. Dennis Bausch
Executive Vice-President, Marketing and Planning

From left:

Richard A. Banfield
President, Magna Interior Systems – Seating

Alan J. Power
President, Decoma International Inc.

William A. Fredericksen
Executive Vice President,
Magna Interior Systems – Trim Panels

From left:

Peter Koob
Vice-President, Finance, Magna Europe

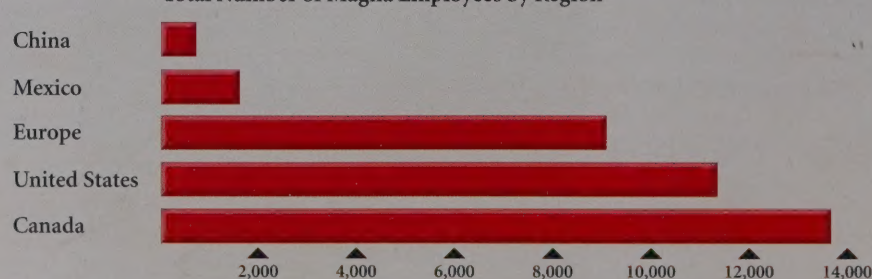
Siegfried Wolf
President, Magna Europe

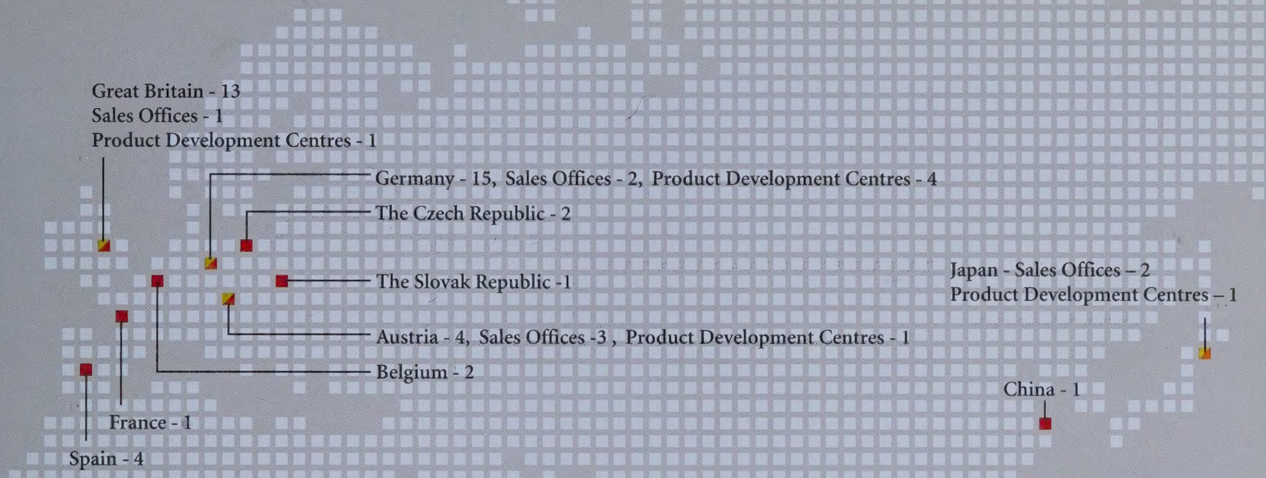
Helmut Scholz
Vice-President, Operations, Magna Europe

Scope

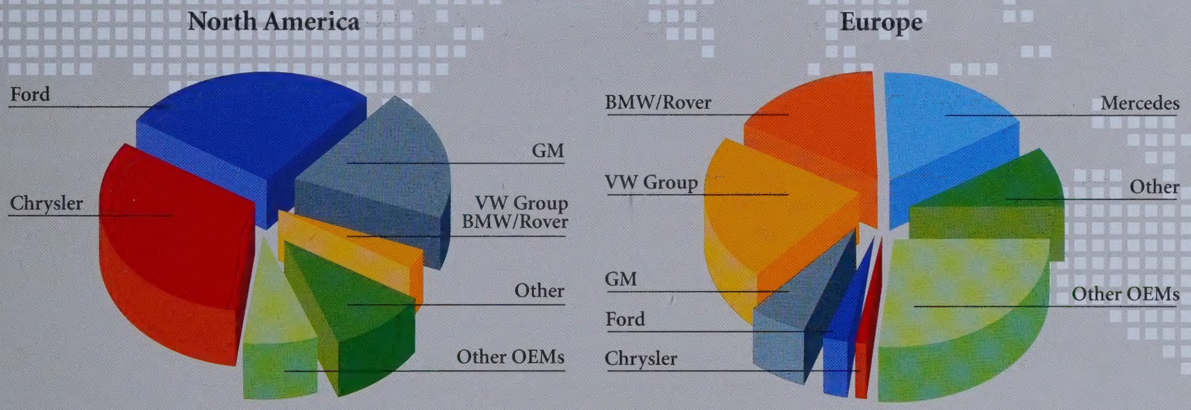
Magna is a full service supplier of interior and exterior body and chassis systems to every major automaker in North America and Europe. With key operating subsidiaries in both North America and Europe, strong engineering and tooling resources and a product range that makes it the most diversified automotive components supplier in the world, Magna is able to supply complete systems on a worldwide basis. The Company continues to make major strides in replicating its North American systems capabilities and product offerings in Europe while cross-fertilizing key technologies and processes between the two continents.

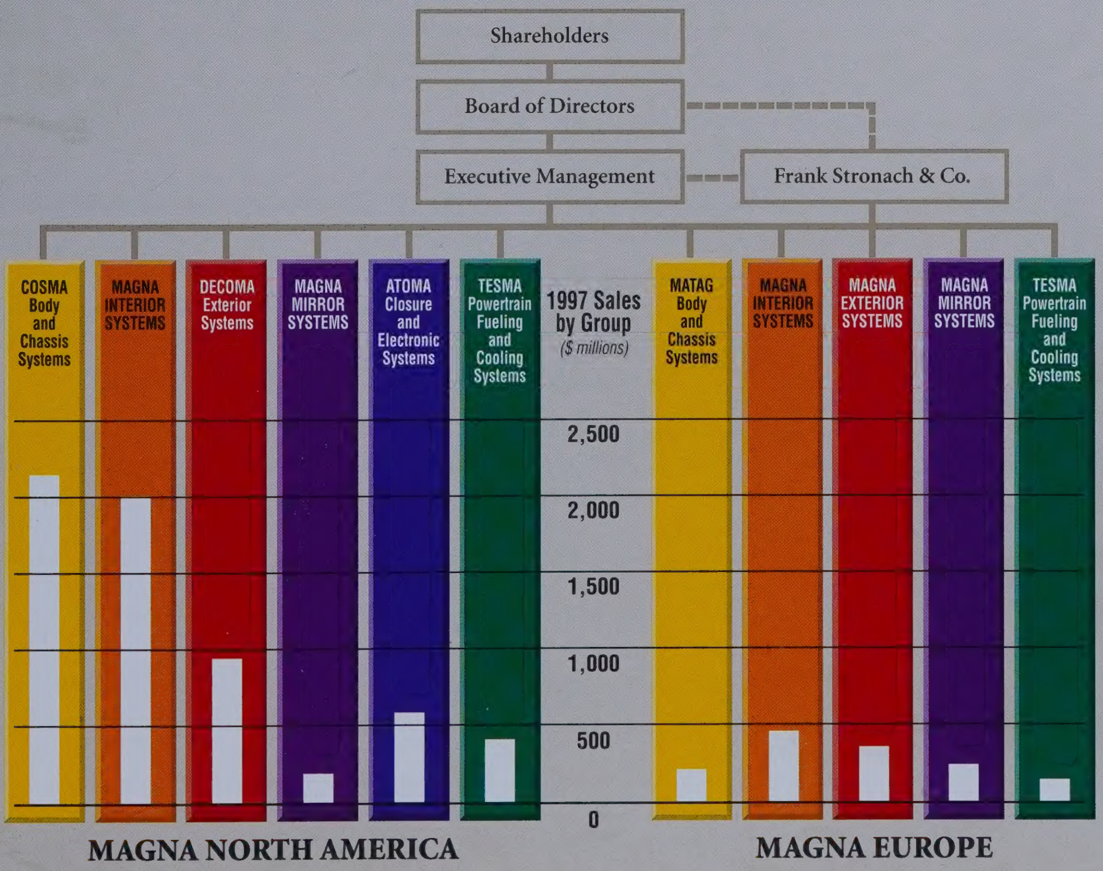
Total Number of Magna Employees by Region





SALES BY CUSTOMER





Foundation

OPERATING STRUCTURE

Automotive Systems Corporations

Magna's divisions are grouped along geographic and product lines into separate Automotive Systems Corporations. Each of these corporations provides full service systems integration in a specific vehicle area.

Division Management

Within the framework of the Magna Corporate Constitution and the Magna Employee's Charter, division managers have a wide degree of latitude in running their day-to-day operations. Their compensation is tied to the performance of the division, with each manager receiving a relatively low base salary and a pre-determined portion of the division's profits. This compensation formula enables Magna to attract and retain entrepreneurial managers with manufacturing expertise.

Systems Corporation Management

The most experienced and successful division managers advance to the ranks of Systems Corporation or Group management, which is responsible for coordinating product development, finance, marketing and maximizing manufacturing efficiencies in the divisions which make up the Group. Systems Corporation management is paid a relatively low base salary and a pre-determined portion of the group's profits.

Executive Management

Executive management coordinates advanced systems development and manufacturing, ensures customer satisfaction and interfaces with the investment community. In addition, executive management is responsible for the long-term strategic planning and future growth of the Company. Members of executive management are paid a base salary below industry standards and up to six per cent of Magna's profit before tax.

Magna also has an agreement with Frank Stronach & Co., based in Switzerland, to provide business development and other management services worldwide. These services include: facilitating the application of the Company's operating principles and philosophies, coordinating strategic planning (including implementation through business acquisitions and the acquisition of new products and technologies), recruiting and developing new management and promoting corporate goodwill with various stakeholder groups.

OPERATING PRINCIPLES

At the heart of Magna's operating structure is an entrepreneurial culture which builds ownership and inspires pride in all its people. This dynamic corporate culture, highlighted in the principles below, is the cornerstone of Magna's success.

Decentralized Operating Structure

Magna's manufacturing divisions operate as independent profit centres. This decentralized structure prevents bureaucracy and makes the Company more responsive to customer needs and the changing industry.

Employee Involvement

By keeping operating units relatively small and flexible, Magna fosters greater employee involvement and initiative. This environment also allows the Company to recognize and reward individuals' contributions and maintain open communication.

Entrepreneurial Managers

Entrepreneurial, hands-on managers with strong tooling, engineering and manufacturing backgrounds run Magna's divisions. Division managers are responsible for ensuring profitability, achieving customer satisfaction and upholding the principles of the Magna Employee's Charter.

Employee's Charter

The Magna Employee's Charter strives to create a quality work environment by guaranteeing employees fair treatment, a safe and healthful workplace and competitive wages and benefits.

Employee Ownership

Through the Equity Participation and Profit Sharing Program, employees receive ten per cent of the Company's annual profits before tax. As part-owners working in an environment where productivity is rewarded, Magna employees are motivated to produce quality products at competitive prices.

The Magna Employee's Charter

The Magna Employee's Charter

Magna is committed to an operating philosophy which is based on fairness and concern for people.
It includes these principles:

Job Security

Being competitive by making a better product for a better price is the best way to enhance job security. Magna is committed to working together with you to help protect your job security.

To assist you, Magna will provide:

- **Job Counselling**
- **Training**
- **Employee Assistance Programs**

A Safe and Healthful Workplace

Magna strives to provide you with a working environment which is safe and healthful.

Fair Treatment

Magna offers equal employment opportunities based on an individual's qualifications and performance, free from discrimination or favouritism.

Competitive Wages and Benefits

Magna will provide you with information which will enable you to compare your total compensation of total wages and total benefits with those earned by employees of your competitors, as well as with other plants in your community. If your total compensation is found not to be competitive, then your wages will be adjusted.

Employee Equity and Profit Participation

Magna believes that every employee should own a portion of the Company.

Communication and Information

Through regular monthly meetings between management and employees and through publications, Magna will provide you with information so that you will know what is going on in your company and within the industry.

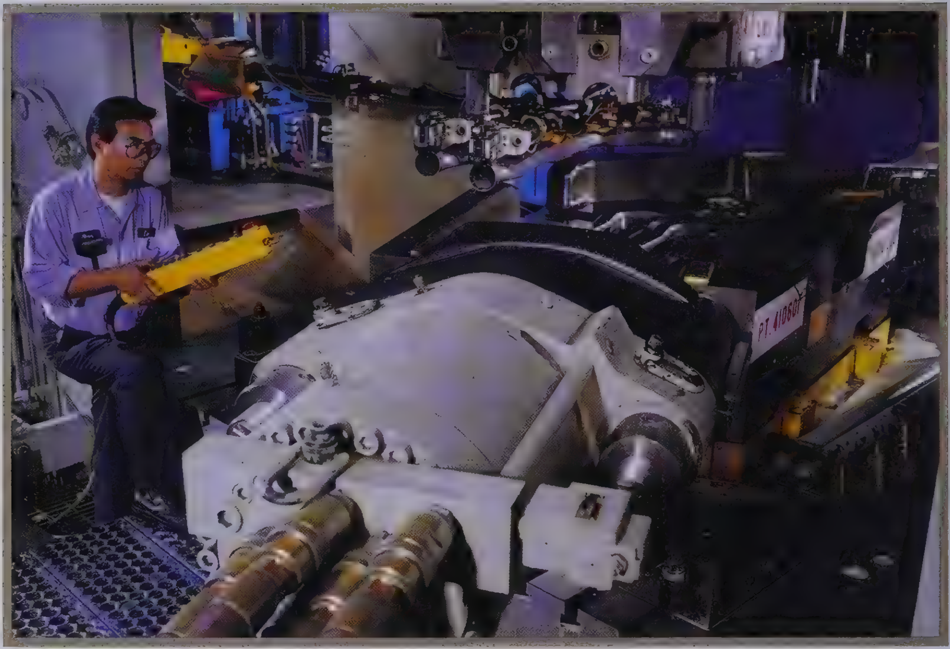
The Hotline

Should you have a problem, or feel the above principles are not being met, we encourage you to call the Hotline or use the self-addressed Hotline Envelopes to register your complaints. You do not have to give your name, but if you do, it will be held in strict confidence. Hotline Counsellors, speaking several languages, will answer your call. Your concern will then be forwarded to the Magna Corporate Employee Relations Department. The Magna Corporate Employee Relations Department is committed to investigate and resolve all concerns or complaints and must report the outcome to the Employee Relations Advisory Board.

Employee Relations Advisory Board

The Employee Relations Advisory Board is a group of people who have proven recognition and credibility relating to humanitarian and social issues. This Board will monitor, advise and ensure that Magna operates within the spirit of the Magna Employee's Charter and the principles of Magna's Corporate Constitution.

Body & Chassis Systems



Xuong Chau sets a robotic arm that transfers two hydroformed metal components used in the production of Chrysler Intrepid engine cradles.

PROFILE

Cosma Body & Chassis Systems supplies the most comprehensive range of body and chassis systems in the automotive industry. Products include everything from chassis stampings and bumper beams to large exterior sheet metal body panels. The Group's production facilities utilize world-calibre metal stamping, rollforming and patented hydroforming technologies as well as in-house tool and die making capabilities, including Class A sheet metal dies. Cosma can also design and build turnkey assembly lines.

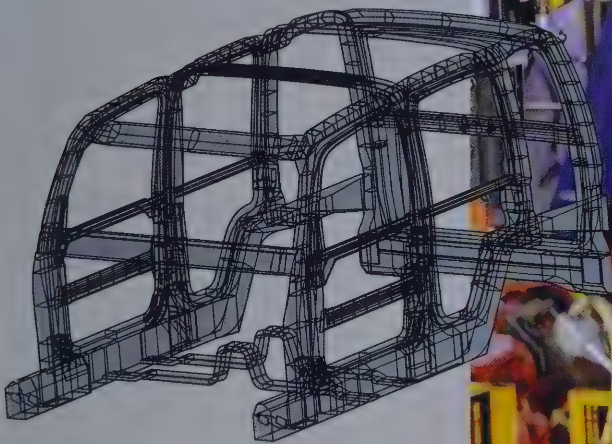
AT A GLANCE

- Through its Vehma International design and engineering division, Cosma provides complete modeling, styling and prototyping capabilities for all types of metal components and systems.
- Cosma developed the proprietary new technology known as IHV hydroforming, which has revolutionized the automotive metal forming industry. This breakthrough technology, which uses water pressure to form intricate shapes out of steel tubing, enables Cosma to consolidate components, simplify design and reduce weight while improving strength. It offers major cost reductions for customers in several areas.
- Cosma currently has one production facility dedicated to producing hydroformed components, modules and systems with another facility slated to open early next year.

TECHNOLOGICAL DEVELOPMENTS

- Using hydroforming technology, Cosma is developing a chassis system containing all of the front, rear and centre chassis modules for a 1999 pick-up truck.
- Cosma is broadening its use of hydroforming technology to develop engine cradle systems and other, larger modules and systems. The Group is developing other technologies that will complete and enhance its hydroforming capabilities including a vehicle structure prototype made entirely from hydroformed components.
- With the addition of rolling components such as brake rotors, steering, rack and pinion assemblies and brake testing, Cosma can now offer a complete 'rolling' chassis that integrates hydroformed components and modules.
- The Group entered into a new product line with the development of hydroformed control arm assemblies and other components to enhance Cosma's full suspension capabilities.
- Cosma utilizes a number of process technologies, including laser welding, medium frequency welding, capacitor discharge welding and hydropiercing, to integrate hydroformed components and modules.

Right: Charles Parchem removes a pre-production metal-stamped body side panel for an OEM minivan.



This CAD/CAM illustration demonstrates how Magna's hydroforming technology can dramatically reduce the number of stamped components used in the manufacture of a vehicle cage.

Aaron Smeltzer holds a Pontiac Grand Prix bumper beam.

Lora Martin handles a Honda Accord bumper beam on a welding machine.

Right Inset: Ford Explorer floor pans are stamped and stacked on an automated assembly line.

Magna program managed the design, development and final assembly for all the interior and exterior systems on the 1997 Lincoln Navigator. Magna Interior Systems supplied the rear console, featured above, as well as the interior panels for the front and rear doors and liftgate.

PROFILE

Magna Interior Systems (MIS) is one of the world's largest full service suppliers of integrated interior systems and components. The Group's major product areas include seating, seat tracks, safety restraints, interior door panels, instrument panels, consoles, overhead systems and package trays.

AT A GLANCE

- MIS, formerly known as Atoma Interiors, consists of three main sub-groups: Magna Lomason Metals and Mechanisms, Seating and Trim Panels.
- MIS is a global leader in the program management of total interiors for automotive customers. The Group secured the groundbreaking contract to program manage the Lincoln Navigator interior and has since been awarded two contracts from various automotive customers to program manage the design, development and final assembly of total vehicle interiors.
- MIS is one of the largest suppliers of 'seat complete' systems – ready-to-assemble seating with fully integrated restraints, head rests and manual and electronic seat track systems.

TECHNOLOGICAL DEVELOPMENTS

- MIS developed and manufactures the all-aluminum seat frame featured on the Chrysler Prowler – an industry production first. The seat uses Magna's proprietary mould-in-place seating technology.
- An MIS-patented spray urethane technology known as PUR-fect Skin™ is featured on the 1998 Buick Park Avenue instrument panel and door panel. This technology has two-tone capability and creates a surface that provides enhanced durability.
- Using thermo-electric technology pioneered by Atoma Closure and Electronic Systems, the Seating Group is developing seats that feature a temperature-control unit.
- MIS has developed a headliner system using a one-step thermoplastic process that is completely recyclable. The Group is also taking a leading role in the evolution of headliners into completely integrated overhead systems containing consoles, lighting, coat hooks, grab handles, sunvisors, sunroofs and wiring harnesses.
- MIS is currently designing and developing the next step in instrument panel systems – complete cockpit modules that include all instrumentation, consoles and package tray systems for lighting, storage and speakers.

Right: Sandy Ellis (front) and Kendall Shelton do final assembly on Magna-made seats featured on the Ford Contour and Mercury Mystique vehicle lines.

Vilma Widner (left), Michelle Gonzales (centre) and Teresa Marise (right) assemble pour-in-place headrests manufactured by Magna's seating group.

Lenny Sanders installs a speaker in a moulded door trim panel featured on the Cadillac Seville.

Adjustable manual seat tracks featured on the Honda Accord.

Right: The futuristic-looking Chrysler Prowler seat, featuring a lightweight all-aluminum seat frame and mould-in-place seat cushions with loose-face leather covers, was designed and developed by Magna.

DECOMA

Exterior Systems

Sunny Fasavath (left) and Virasack Chindamath (right) remove a large truckside body panel from one of Decoma's advanced moulding machines.

PROFILE

Decoma Exterior Systems is Magna's full service supplier of exterior vehicle appearance systems. The Group designs, engineers and manufactures a full range of exterior appearance products, including front and rear bumper systems, vertical body panels, greenhouse and sealing systems, polymeric glazing systems, exterior ornamentation, convertible roof systems, integrated lighting systems and vehicle enhancement packages.

AT A GLANCE

- Decoma has one of the industry's most comprehensive range of manufacturing process capabilities, including injection and reaction injection moulding, roll-forming and stamping, extrusion and co-extrusion, e-coating, anoplating, anolok, 1k, 2k, solvent and waterborne painting and chrome plating for plastic and metal.
- The Group is the world's leading manufacturer of bumper systems and a market leader in the production of moulded plastic body panels and running board systems.
- Decoma is an industry leader in providing OEMs with exterior ornamentation and vehicle enhancement packages. Concept-to-customer program management includes design, styling, manufacturing and in-sequence assembly for vehicle re-designs and niche vehicles.

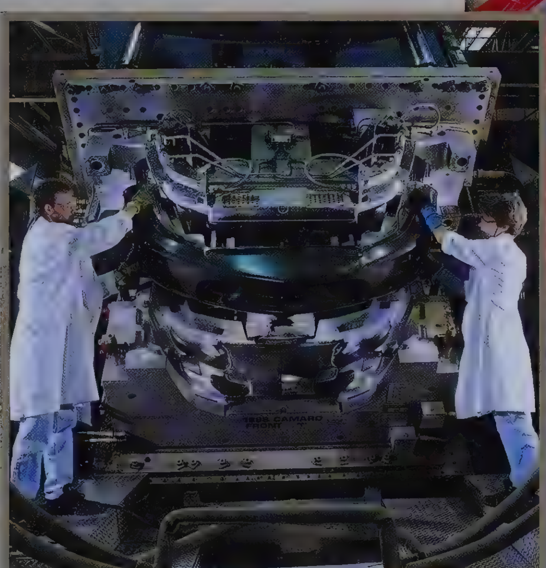
TECHNOLOGICAL DEVELOPMENTS

- Decoma is at the leading edge in the development of front end modules that integrate vehicle structural components and cooling systems with the bumper system into a single, bolt-on module, reducing assembly costs and time required for vehicle styling changes.
- The Group is at the industry forefront in the development of environmentally friendly waterborne painting for use on plastics. Two divisions are currently supporting production programs with this technology.
- Using state-of-the-art technologies, Decoma is pursuing major growth in sealing systems, chrome-plated plastics and convertible roofs.
- Decoma has introduced newly developed advanced lighting technologies into its front and rear end modules as the Group continues to position itself as a full exterior systems integrator.
- The Group is further developing co-injection moulding technology, which can use recycled material such as painted bumper covers and other plastic panels, to create stronger, more cost-effective plastic body panels.
- Decoma will be one of the first to mould large truckside plastic panels that offer weight reduction, superior durability and design flexibility.

This rear quarter panel integrated lighting system prototype features advanced LED lighting technology. Brake light response times are faster and body panel integration will create future vehicle design opportunities.

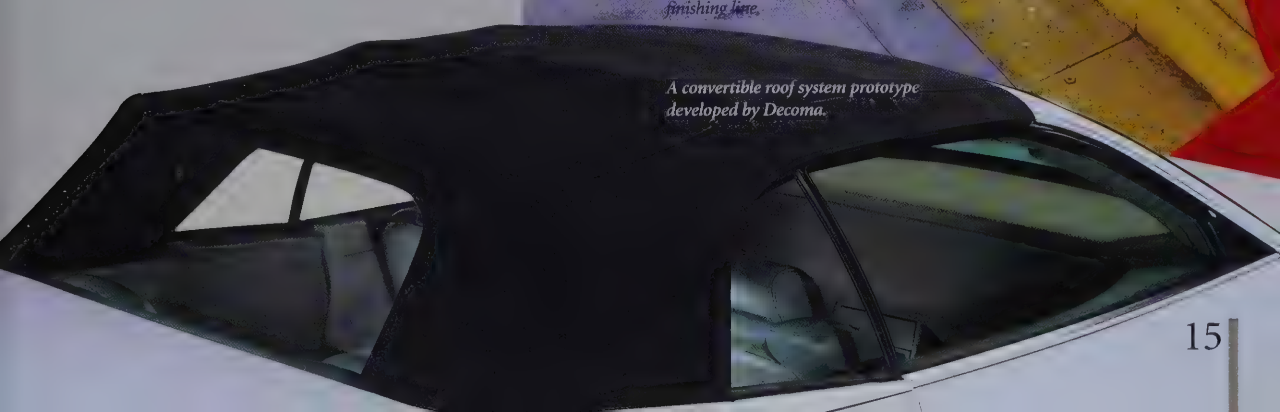
A plastic chrome plating line at one of Decoma's Mexican divisions.

This Jeep hardtop is one of many convertible roof systems manufactured by Decoma.



David Bulgin (left) and Lucille Lusher-Stevenson (right) remove a plastic bumper cover featured on the new Chevrolet Camero.

Many Lu (left) and Lien Tran (right) inspect Camero bumper covers on a paint finishing line.



A convertible roof system prototype developed by Decoma.

Magna Mirror Systems' patented advanced mirror signaling technology is intended for future production on the BMW Z3 Roadster.

PROFILE

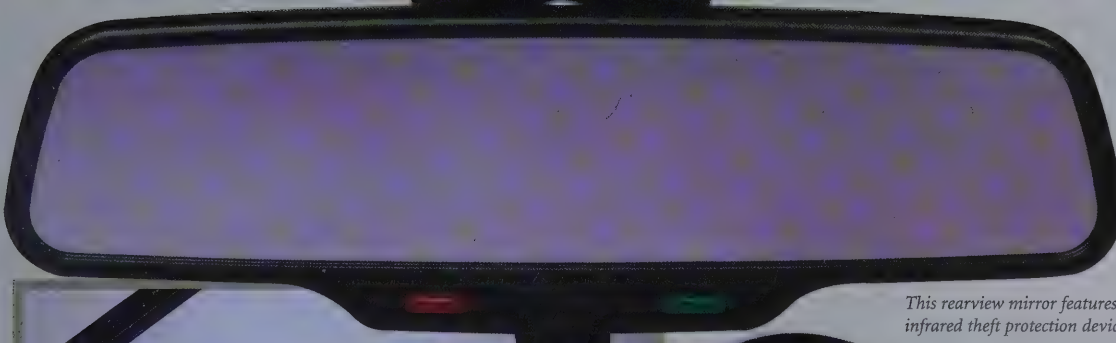
Magna's Mirror Systems Group (MMS) is one of the world's largest suppliers of exterior and interior mirror systems. This global products Group is also a major supplier of sun visors, grab handles, extrusions, interior lights, encapsulated glass, air vents and grilles. MMS has operations in North America, Germany, Spain, Austria, Slovakia and England.

AT A GLANCE

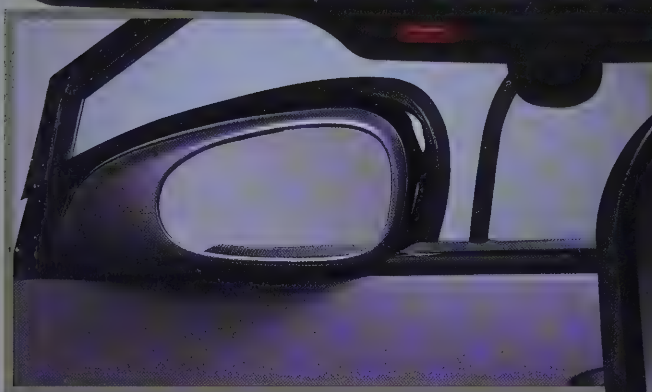
- MMS has six design and engineering centres worldwide, with plant engineering at all production facilities, and sales offices in North America and Europe to support the Group's global customer base.
- MMS recently opened a new facility in North America to produce powerpacks, powerfolds and future products containing new technologies. This facility complements an existing powerpack facility in Austria.
- The Group supplies products to 20 OEMs worldwide and exports products to South America and Japan.
- MMS has painting, moulding and assembly capabilities worldwide as well as complete certified testing laboratories for its products.
- The Group has won numerous OEM customer awards over the past five years in the areas of technical proficiency, cost, quality and delivery.

TECHNOLOGICAL DEVELOPMENTS

- The Group has developed memory powerpack technology, currently featured on a number of passenger car and truck mirrors, which provide enhanced customer convenience.
- MMS has developed a range of mirrors utilizing single and double pivot powerfold actuator technology, currently featured on Honda and Saturn vehicles.
- The Group's patented Extend-A-View™ mirror will be offered on a number of vehicles this year and will also be sold as an aftermarket product.
- Working in conjunction with Atoma's Invotronics division, MMS is utilizing proprietary multiplexing technology for the development of mirror systems that provide sophisticated electronics and major assembly benefits for OEM customers.
- The Group has patented an Advanced Mirror Positioning System which will be introduced into the European market.
- Other advanced technologies currently being developed by the Group include mirror sensor technology, close proximity warning device, moisture sensing and removal systems, interior mirrors with infrared theft protection and electric clear view systems.
- New mirror technologies being developed in Europe include automatic anti-glare and power flip exterior mirrors.



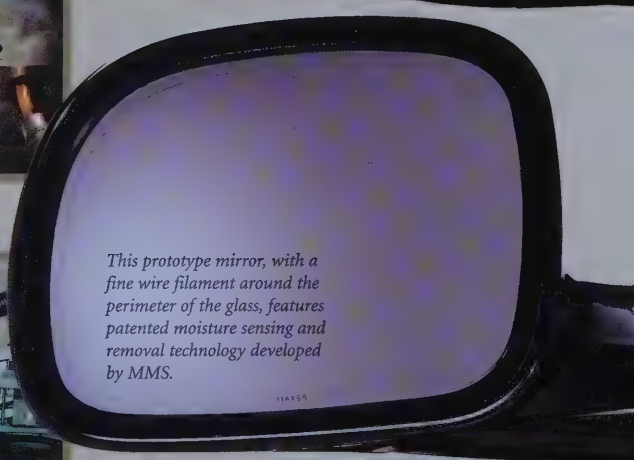
This rearview mirror features an infrared theft protection device.



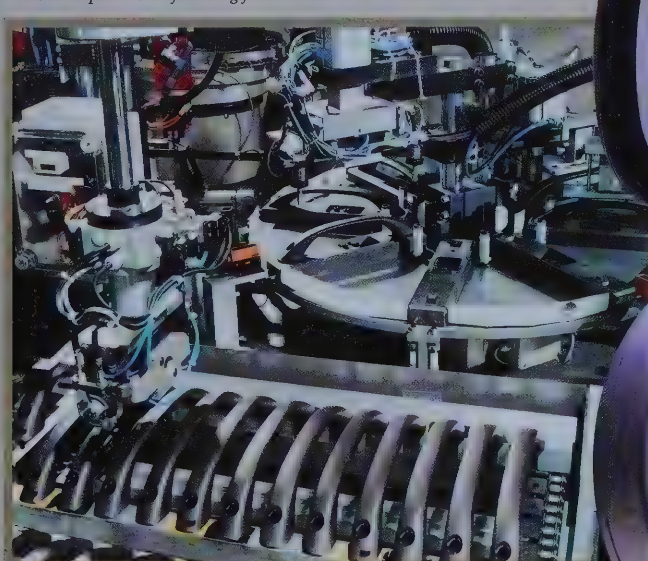
MMS developed this prototype of a window-integrated side view exterior mirror.

This Magna-developed flip-fold mirror has major applications in the truck market.

A plastic mirror casing is automatically lifted from a mould at one of MMS' European manufacturing facilities.



This prototype mirror, with a fine wire filament around the perimeter of the glass, features patented moisture sensing and removal technology developed by MMS.

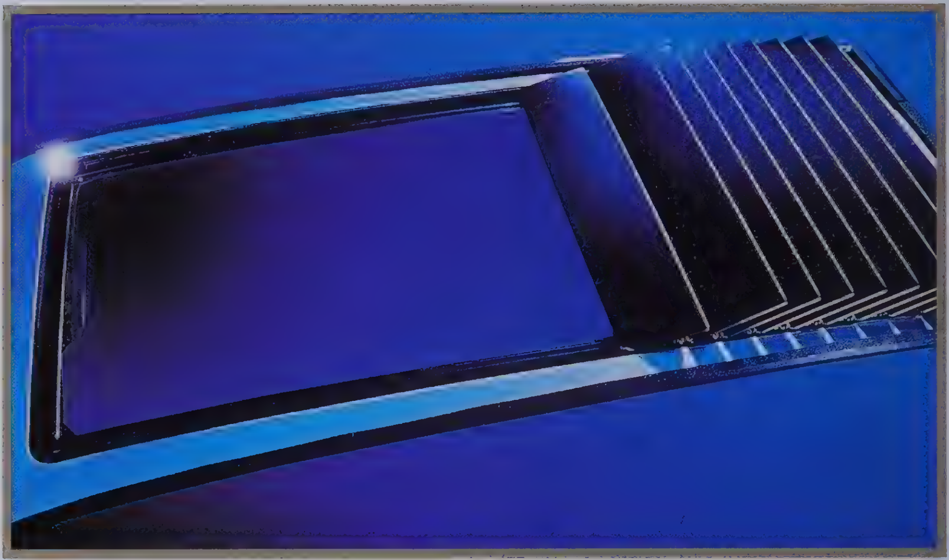


MMS is a leading producer of grab handles for the European market.

Right: A close-up of Magna-Muth's new mirror signalling technology, which provides enhanced vehicle safety.

ATOMA

Closure & Electronic Systems



Atoma Closure and Electronic Systems developed this multi-vent sunroof prototype.

PROFILE

Atoma is a full service supplier of automotive closure and electronic systems. Major product areas include closure latching systems, sunroofs, power closure systems, window regulators, clutch and brake pedal assemblies, electronic and electro-mechanical systems and thermo-electric systems.

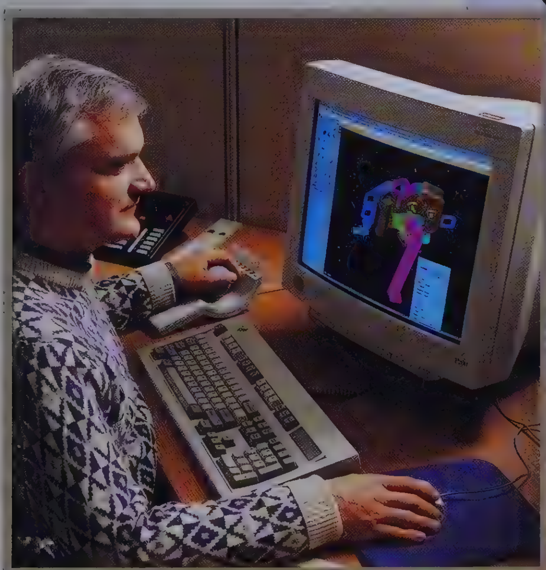
AT A GLANCE

- The Group is a leader in the development and manufacture of fully integrated door systems and door component modularization. This has included the design and development of fully integrated door modules containing all of the door componentry, latching and wiring in one pre-assembled unit.
- Atoma is a world leader in the development of advanced electronic switching systems that provide OEM customers with innovative, low current switching systems offering enhanced reliability and cost savings.
- The Group has several of the world's most advanced door testing and certification facilities, including durability and validation testing. Atoma has created industry standards for door closure measurement systems and full system simulation testing.
- Through its joint venture with Webasto AG of Germany, Atoma is a major supplier in North America of sunroof systems featuring state-of-the-art closure technology.
- Atoma has become Magna's Centre of Excellence for cable and drum and arm and sector window regulator design, development and manufacturing.

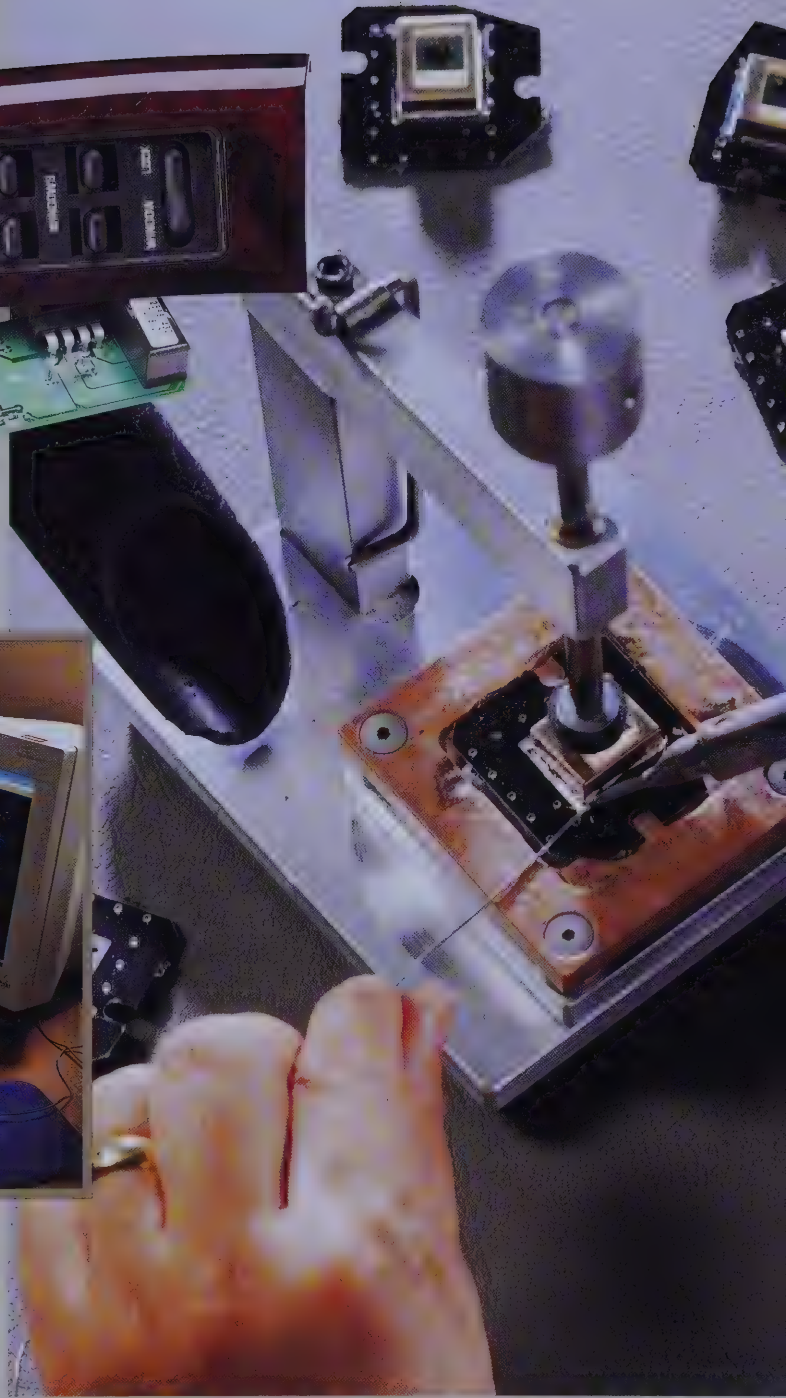
TECHNOLOGICAL DEVELOPMENTS

- Atoma has developed an advanced electronic latching system with programmable logic for double lock, child lock and central lock features as well as independent control of door handles.
- Atoma is developing door closure sensors that automatically adjust doors to meet weather, vehicle age and incline conditions.
- The Group continues to focus on the development of overhead and floor console electronic systems.
- The Group's Invotronics division, together with a European partner, is engineering vehicle communications systems and security electronics, as well as flexible switching systems and low current switching technology.
- In order to provide improved vehicle safety, Atoma has focused on the development and application of obstacle detection capabilities for vehicle closure systems.
- Webasto remains at the forefront of sunroof technology with the development of a unique sunroof spoiler that is thinner, lighter and less expensive.

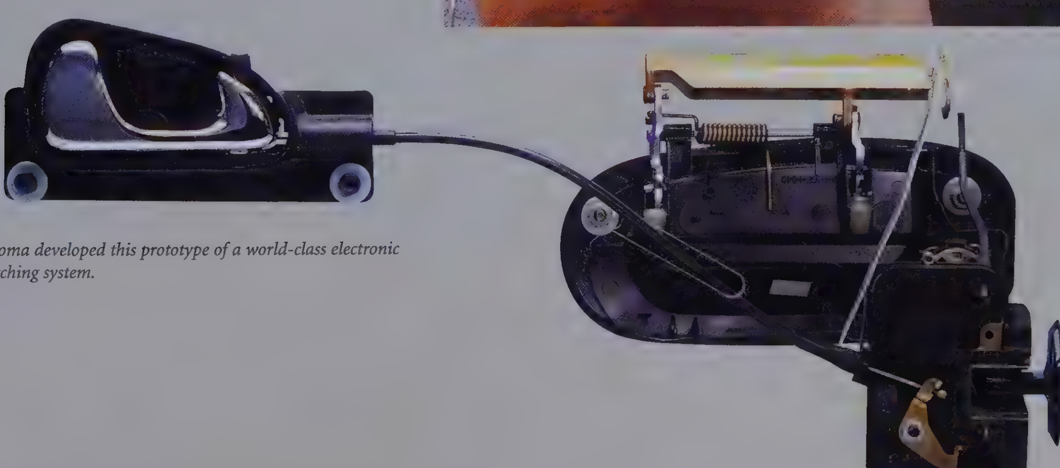
Shown here, an Oldsmobile Aurora switchplate with a multiplex compatible circuit board. In the future, multiplexing will reduce vehicle wiring and improve repairs and maintenance.



Greg Baniak examines a CAD/CAM illustration of the illuminated swing-out hood latch prototype developed by Atoma.



Right: Atoma's expertise in the manufacture of laser optic circuit boards can be applied to obstacle detection and collision avoidance systems.



Atoma developed this prototype of a world-class electronic latching system.

TESMA

Powertrain, Cooling & Fueling Systems

One-piece flexplates at Tesma's Unimotion-Gear Facility.

PROFILE

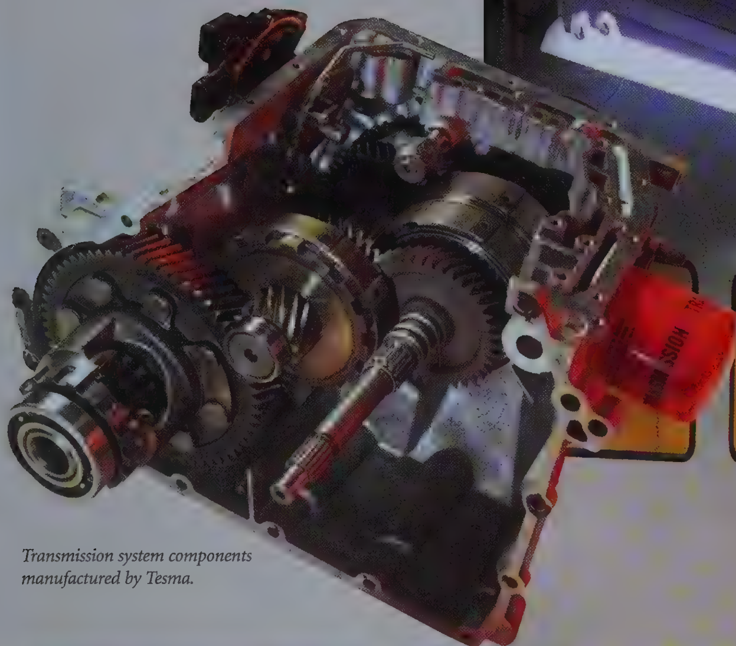
Tesma International Inc. is Magna's global powertrain (engine and transmission), fueling and cooling systems subsidiary. This separate public company, with shares listed on The Toronto Stock Exchange (TSM.A) and NASDAQ National Market (TSMAF), employs more than 2,600 people at 18 manufacturing divisions in North America and Europe. Its manufacturing operations are organized into four core areas of technological focus: rotational drive and rotational products technology, power transfer technology, liquid transfer technology and powertrain modules.

AT A GLANCE

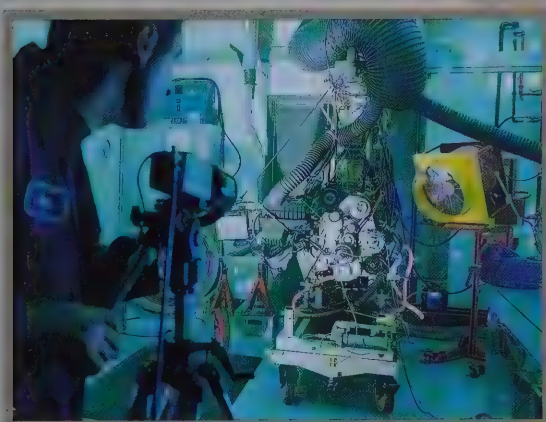
- Tesma is responsible for a number of industry firsts, including the world's first production application automatic belt tensioner for a serpentine or single belt accessory drive system as well as the first thin gauge sheet metal poly-V pulley which has become an industry standard.
- Tesma's Litens Automotive Group holds a dominant market share in both North America and Europe for automatic belt tensioning devices.
- Tesma is a leader in the manufacture of Front End Accessory Drive pulley products, with a commanding 75% share of the North American automotive market.
- Tesma has a wide range of manufacturing capabilities, including die-forming, flow-forming, stamping and spinning, synchronous roll-forming, high pressure aluminum die-casting, precision fineblanking and injection and compression moulding.
- Tesma's liquid transfer technology group is represented by the Blau Group of companies, one of Europe's leading suppliers of automotive caps, fueling components and liquid carrying components.
- Tesma powertrain modules address the industry trend towards the sourcing of modular products. The Group has been awarded four production contracts for water pump and oil pump modules.

TECHNOLOGICAL DEVELOPMENTS

- Through Litens Automotive, Tesma has developed proprietary mechanical timing drive tensioning devices for belt-driven overhead cam engines.
- Tesma has developed one-piece die-formed clutch housings that offer advantages in strength, durability and performance over traditional designs.
- Tesma continues to gain market acceptance of its proprietary one-piece roll-formed flexplates which provide advantages in noise and weight reduction, packaging and cost.
- Tesma has developed a highly integrated fuel filler module based on a unique On-Board Refueling Vapour Recovery (ORVR) system that offers numerous benefits over alternative systems.
- Tesma has accessed leading-edge programmable one-way spiroidal clutch technology which offers enhanced torque capacity and improved durability and performance in four wheel drive systems, differential assemblies and transmissions.
- Tesma is currently completing a production intent prototype of an integrated water management system using lightweight plastic and steel materials for engine applications.



Transmission system components manufactured by Tesma.



A belt drive systems development lab at Tesma's Litens Automotive division.

A high pressure aluminum die casting facility in Europe.

Right: A reaction shell manufacturing cell.

Magna Europe's MIS Group manufactures the bumper cover featured on the Audi A8.

PROFILE

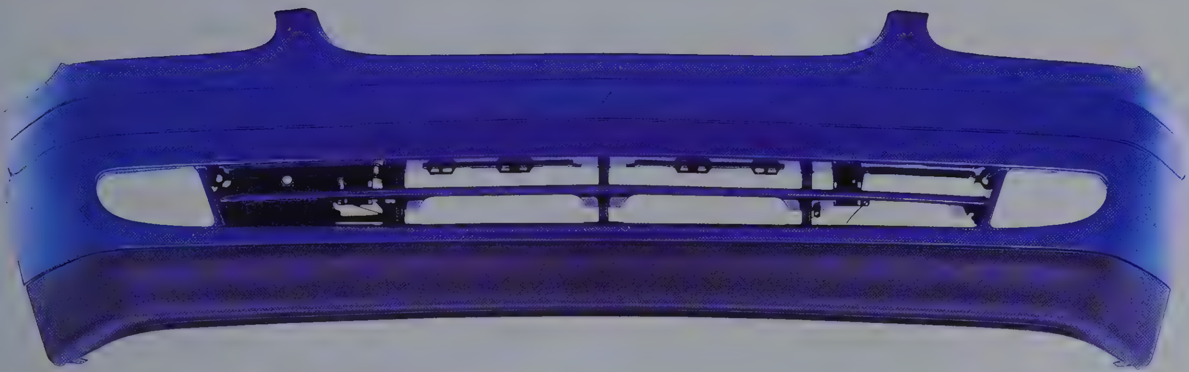
Magna Europe is comprised of four major product groups, each specializing in a specific vehicle area. These groups include: MATAG, the metal body and chassis systems group; MIS, the interior systems group; MSS, the seating systems group; and MES, the exterior systems group. New products and technologies are developed by MEC, Magna Europe's engineering and systems development centre. Magna Europe also maintains a 20% interest in a safety systems joint venture with TRW.

AT A GLANCE

- Magna Europe's four main groups are organized along the same lines as the major Systems Corporations of Magna in North America, providing a similar range of body, chassis, exterior and interior systems capabilities.
- MATAG is adding the capability to manufacture larger stamped components such as engine cradles and Class A panels and is rapidly expanding its hydroforming capabilities.
- MIS is a leading supplier of door and instrument panels.
- Through key acquisitions, Magna Europe has extended its product range to include carpet, interior systems, sound insulation and vehicle acoustics.
- The MES Group is one of Europe's leading high volume exterior systems manufacturers.
- Magna Europe has a strategic alliance with TRW through a jointly owned and operated technical centre which focuses on total vehicle safety system integration.

TECHNOLOGICAL DEVELOPMENTS

- MATAG is project managing the engineering, production and assembly of the SMART car space frame, a micro-compact vehicle jointly-produced by Mercedes Benz and the Swiss maker of the Swatch watch.
- MIS Magna Naher is at the industry forefront in the development of sound insulation technology for automotive interiors.
- MES, which pioneered the use of gas injection moulding technology for body side trimming, has further developed its patented PUR-RRIM™ technology for thin wall bumper fascias featured on the Mercedes Benz C-Class line of vehicles.
- MIS developed a 'slush moulding' process which eliminates lines and appearance defects on moulded interior panels and components.



Above: MES manufactures the bumper covers for the Mercedes SLK.

Magna Seating Systems manufactures the seats for the Opel (left) and the Ford Transit (below).

A BMW Z3 coupe interior panel manufactured by MIS.

Magna Europe supplies the complete instrument panel for the Jaguar XK8.

Jane Porter performs 3 axis co-ordinate measuring on a Rover 200 instrument panel.

Above: Martin King works on a Jaguar XJ8 instrument panel CAD design.

Right: Armagit Tjind removes a Jaguar XK8 instrument panel made with slush moulded skin with polyurethane semi-rigid foam from a mould.

Shown above, the Magna-manufactured metal space frame assembly for the SMART car. The product of a joint venture between Mercedes-Benz and the maker of the Swatch Watch, the micro-compact SMART car will debut in Europe next year. Magna Europe's MATAG group program managed the design, engineering and assembly of the SMART car space frame. The SMART car program expands Magna's presence and technical capability in the European market while confirming Magna's reputation as a leading global systems integrator.

Sebastien Muck monitors the robotic assembly of a SMART car space frame at one of MATAG's divisions.

Magna Content

Many of the world's best selling cars, vans, trucks and sport utility vehicles carry Magna-produced parts and systems. Magna's average dollar content per vehicle has increased approximately 30% this fiscal year, the result of rapidly growing market penetration and product diversification.

Plymouth Voyager – *Chrysler's minivans, the best selling in the world, carry a wide range of Magna components and systems, including complete seats, bumper systems, mirrors and mouldings.*

Honda Civic – *The Civic carries front and rear fascias manufactured by Magna.*

Chrysler Intrepid – *The Intrepid features Magna-manufactured metal doors, bumper covers, front fenders, energy absorbers and side impact beams.*

Dodge Ram – *The popular Ram features window regulators and latches manufactured by Magna.*

Mercedes-Benz A-Class – *The new Mercedes-Benz A-Class contains Magna-produced front end accessory drive products and interior panels.*

Mercedes-Benz C-Class – *The C-Class line of Mercedes-Benz vehicles features interior trim supplied by Magna.*

BMW Roadster – *Magna manufactures the complete metal body exterior of the BMW Z3 Roadster.*

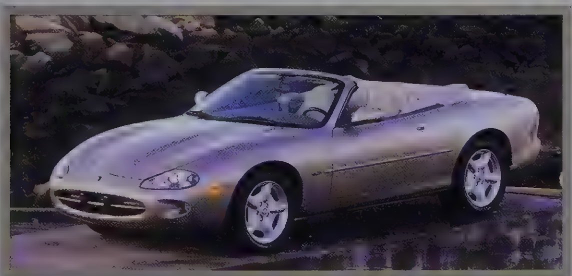
Buick Riviera – *Magna supplies switchplates, stampings, decorative trim and front and rear bumper covers.*

Ford Contour – *Magna supplies the complete seat system, front and rear bumper covers, latches and window regulators for the Contour.*

GM Corvette – *Magna supplies the front and rear bumper covers on the stylish new Corvette.*

Toyota Camry – *The Camry features door panels and chassis stampings produced by Magna.*

Saturn – *The Saturn carries front and rear impact beams as well as mouldings, hinges, latches and pedal assembly.*



Jaguar XK8 – *The complete instrument panel on the Jaguar XK8 is supplied by Magna.*

Audi A8 – *The Audi A8 features a front end module supplied by Magna.*

Lincoln Navigator – *Magna program managed the design, development manufacture and assembly of both the interior and exterior for this luxury sport utility vehicle. The Navigator features Magna-manufactured running boards, front and rear interior door panels, rear console and liftgate panel.*

Volkswagen Golf GL – *Volkswagen's global best seller carries Magna-manufactured metal stampings and panels.*

Two Major Acquisitions Expand Magna's Global Seat Systems Capability

Magna made two major acquisitions of seat suppliers in fiscal 1997 to significantly enhance the Company's seating capabilities. The acquisition of Douglas & Lomason helped make Magna one of the top three seat suppliers in North America and expanded its customer base to include Ford, General Motors, Toyota and Mitsubishi. The acquisition of Tricom Group Holdings Ltd. in May, 1997 gave Magna its first seat manufacturing capability in Europe. With three manufacturing facilities in the U.K. which design, engineer and manufacture complete seats, Tricom's customer base includes Ford, Rover and General Motors. The Tricom acquisition also helped strengthen Magna's global seat system capability for global vehicle platforms.

Magna Forms Strategic Alliance With TRW

In December, 1996 Magna sold its majority interest in its air bag business to TRW. At the same time, Magna and TRW announced the formation of a strategic alliance for the design, development and production of integrated automotive products. TRW will lead the development efforts in occupant restraint systems, including air bags and seat belts, while Magna will focus on complete vehicle interiors and total body systems. As part of the alliance, the companies have formed a technical centre that will focus on total vehicle safety integration and will support both companies in the development of components and systems. TRW Chairman and CEO Joseph Gorman heralded the alliance as representing "a new level of co-operation between independent suppliers."

Magna Europe Expands Interior and Exterior Systems Capabilities Through Acquisition

Magna broadened its European exterior systems product line in December, 1996 by purchasing Caradon Rolinex, a leading supplier of moulded plastic and painted fascias based in the U.K. In May, 1997, Magna added to its European interior systems product line by purchasing Georg Naher GmbH, a German-based interior parts manufacturer which supplies interior panels, carpet and sound insulation systems. Both acquisitions fit into Magna's continued strategy of purchasing underperforming and undervalued assets and then applying the Company's turnaround expertise.

Magna Establishes Presence in South America

During fiscal 1997 Magna opened a sales office in Brazil to establish a presence in the growing South American vehicle market. Magna's sales presence in South America also signals the Company's commitment to future expansion in order to support its OEM customers' growth objectives on the continent.

Magna Wins More Groundbreaking Systems Integration Contracts

After becoming the first full service supplier to win a contract to program manage the interior and exterior integration of a vehicle, Magna was awarded another two major interior systems integration contracts with Ford and General Motors, positioning the Company as the world's leading systems integrator.

Decoma Forms Mexican Joint Venture

Magna's Decoma Exterior Systems Group formed a joint venture operation in Mexico known as Decomex Inc. that manufactures and finishes fascias, grilles and other exterior appearance components. The joint venture operation, which is managed and operated by Decoma, supplies Chrysler, Volkswagen, General Motors, Nissan and Ford. The formation of the joint venture, announced just after the close of fiscal 1997, significantly expands Magna's product capability in Mexico and strengthens Decoma's position as one of the world's leading suppliers of bumper covers.

Magna Acquires European Plastic Components Supplier

Magna further strengthened its European systems capabilities with the acquisition of the YMOS Automotive Group, a leading supplier of exterior and interior plastic components, including fascias, grilles, exterior trim, instrument panels, consoles and body side and other mouldings. With operations in Belgium and Germany, the company supplies Audi, BMW, Ford, Mercedes-Benz, Opel, PSA, Toyota and Volkswagen. The acquisition remains subject to regulatory and other approvals.

Management's Discussion and Analysis 30 – 34

Reports to Shareholders 35

Significant Accounting Policies 36

Consolidated Statements of Income and Retained Earnings 37

Consolidated Statements of Cash Flows 38

Consolidated Balance Sheets 39

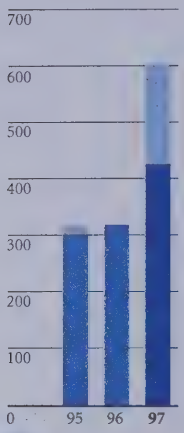
Notes to the Consolidated Financial Statements 40 – 46

Eleven Year Financial Summary 47

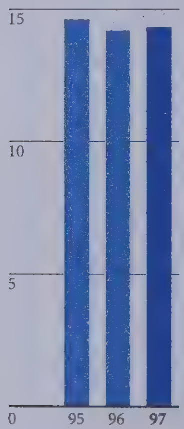
Supplementary Financial and Share Information 48

Other Shareholder Information 49 – 50

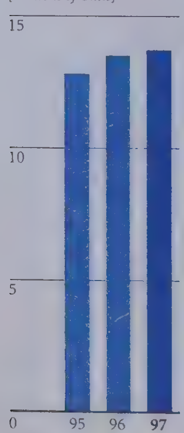
Net Income
[Canadian $ Millions]



North American Vehicle Production
[Millions of Units]



European Vehicle Production
[Millions of Units]



MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a comparison of Magna's results of operations and financial condition for the 1997 and 1996 fiscal years. The fiscal 1996 comparative amounts have been restated as a result of the change in accounting method under Canadian generally accepted accounting principles for the Company's convertible subordinated debentures. In accordance with the new recommendations, convertible subordinated debentures are recorded as components of debt and shareholders' equity. The interest cost of the convertible subordinated debentures is now presented in part as interest expense and in part as a charge to retained earnings. As a result of this change, net income increased by $15.4 million in fiscal 1997 (1996 – $10.2 million), however, there was no impact on fully diluted earnings per share.

Overview: During fiscal 1997, Magna continued to implement its long-term strategic plan of expanding its product and technical capabilities and strengthening its position as a full service systems supplier to the global automotive industry. In the past two fiscal years, Magna has completed a number of strategic acquisitions as part of this plan. During the first quarter of fiscal 1997, Magna acquired all of the outstanding common shares of Douglas & Lomason Company ("D&L") for cash consideration of $181.7 million. D&L is primarily a U.S. based manufacturer of seating systems, seat frames, seat mechanisms and other seating components and through its subsidiary, Bestop, Inc. ("Bestop"), manufactures soft tops for OEM customers and the automotive aftermarket. In the second quarter of fiscal 1997, the Company acquired the Caradon Automotive Components Group ("Caradon"), a U.K. based manufacturer of exterior plastic components, for a purchase price of $45.2 million. Magna acquired all of the share capital of Tricom Group Holdings Limited ("Tricom") and Georg Naher GmbH ("GNG") in the fourth quarter of fiscal 1997 for cash consideration of $70.7 million and $49.2 million, respectively. Tricom is a U.K. based company which designs, engineers and manufactures complete seats, seat frames and other seating components and GNG is a European based manufacturer of trunk linings, interior panels and multi-functional carpet and sound insulation systems. Also in fiscal 1997, the Company acquired the remaining minority interest in Atoma International Inc. ("AII") for a purchase price of $116.2 million. In fiscal 1996, the Company acquired the Marley Automotive Components Group ("MAC Group"), a U.K. based automotive interior systems supplier for a purchase price of $110.0 million and substantially all of the automotive component operations and assets of Pebra GmbH Paul Braun ("Pebra"), a German based manufacturer of exterior plastic components, for cash consideration of $28.9 million.

In the first quarter of fiscal 1998, the Company entered into a joint venture which acquired the operations and assets of Moldes Para Plastico Ayareb, S.A. de C.V. ("Ayareb") and acquired from YMOS AG all of its plastics exterior and interior component operations (the "YMOS Automotive Group") for an investment of approximately $28 million and purchase price of approximately $140 million, respectively. Ayareb will manufacture and finish fascias, grills and other exterior components for the Mexican automotive industry and the YMOS Automotive Group is a leading supplier of fascias, grills, exterior trim, body side and other mouldings, instrument panels and consoles to the European automotive industry.

The Company concluded that its investment in its airbag and steering wheel business, carried on through MST Automotive GmbH Automobil-Sicherheitstechnik ("MST") and TEMIC Bayern-Chemie Airbag GmbH ("TBCA"), was not critical to the Company's long-term strategic plan and decided to dispose of a majority interest in this business. Through a series of transactions in fiscal 1997, the Company purchased the remaining interests not owned by it in MST and TBCA and immediately resold an 80% interest in these companies to recognize a gain before tax of $148.7 million.

Magna follows a corporate policy of functional and operational decentralization. It conducts its operations through facilities which function as autonomous operating units. Facilities are then grouped geographically and along product lines into operating groups in order to align Magna on a product line basis with the purchasing groups of its OEM customers. Magna's North American operations are divided into the following four core automotive operating groups: Cosma Body & Chassis Systems ("Cosma"), a metallic body and chassis systems supplier; Magna Interior Systems ("MIS"), which supplies seating systems, interior door panels, instrument panels, consoles, headliner systems and seat track systems; Decoma Exterior Systems ("Decoma"), a full service supplier of exterior vehicle

appearance systems; and Atoma Closures and Electronic Systems ("Atoma"), a full service supplier of automatic closures and electronic systems. Magna's European operating groups are divided by product line into the following four groups: MATAG Body & Chassis Systems ("MATAG"), a metallic body and chassis systems supplier; MIS, which supplies interior components and systems; Magna Exterior Systems ("MES"), a supplier of exterior systems; and Magna Seating Systems ("MSS"), a supplier of seating systems. The Company's operating groups managed on a global basis consist of Tesma International Inc. ("Tesma"), a supplier of engine, powertrain, fueling and cooling components and systems and Magna Mirror Systems ("MMS"), which supplies exterior and interior mirror systems.

Magna's results are directly affected by the levels of North American and European car and light truck production and the Company's average production content per vehicle. Current factors impacting the automotive industry and the ability to obtain new production contracts from OEM customers include the requirement for suppliers to manufacture more complex systems, provide increased global engineering, effectively manage complete customer programs, and have full service supplier capabilities. The Company believes that its capabilities position it well to benefit from these factors. In addition, as a result of the continued globalization of the automotive industry, increased outsourcing by OEM customers and the consolidation of the supplier base, Magna expects continued customer penetration during fiscal 1998, thereby increasing Magna's average content per vehicle in both markets.

Car and light truck production volumes for fiscal 1997 were 14.3 million units and 13.7 million units for North America and Europe, respectively, representing a 1% increase in both regions from the prior fiscal year. Although there can be no certainty as to future levels of production, management expects car and light truck production levels for fiscal 1998 to be approximately 13.8 million units in North America and approximately 14.0 million units in Europe. Vehicle production levels may be affected by many factors such as trade agreements, the general economy, interest rates, fuel prices and labour contracts. The contracts between each of the United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") and the National Automobile, Aerospace and Agricultural Implement Workers Union of Canada ("CAW") and each of the three major North American OEMs were re-negotiated during fiscal 1997. Although production disruptions at certain major customers in fiscal 1997 had a negative impact on the results of operations for the year, the amount was not significant.

RESULTS OF OPERATIONS

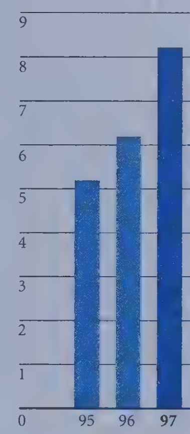
Sales: The Company's consolidated sales increased by 31.3% to $7,691.8 million for fiscal 1997 from $5,856.2 million for fiscal 1996. This reflects North American production sales increasing to $5,193.5 million from $3,949.6 million, European production sales increasing to $1,502.4 million from $1,190.8 million and consolidated tooling sales increasing to $995.9 million from $715.8 million, in each case for fiscal 1997 compared to fiscal 1996.

Magna's North American production sales in fiscal 1997 increased by 31.5% or $1,243.9 million over the prior fiscal year. This increase resulted almost entirely from an improvement in Magna's average North American production content per vehicle, as fiscal 1997 North American production volumes were essentially unchanged from the prior fiscal year. The Company's average North American production content per vehicle increased by 30.9% during fiscal 1997 reflecting new production programs that commenced in the latter part of fiscal 1996 and in fiscal 1997, which accounted for 17.2% of this increase, and due to the acquisition of D&L which accounted for 13.7% of the increase.

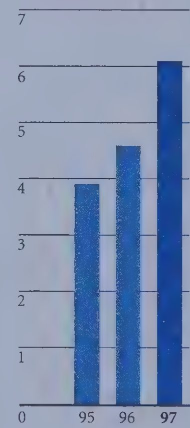
European production sales for fiscal 1997 increased by 26.2% or $311.6 million over fiscal 1996 to $1,502.4 million primarily as a result of: (i) the acquisitions completed in fiscal 1997 including Caradon, Tricom and GNG; (ii) the inclusion of the full year results of the MAC Group and Pebra acquired in the third quarter of fiscal 1996 and in July 1996, respectively; (iii) increased European production content per vehicle and marginally higher European production volumes; (iv) the reduction in production sales from equity accounting the Company's remaining investment in MST commencing January 1997; and (v) a decrease in production sales on the translation to Canadian dollars as a result of fluctuations in foreign currency rates, of which the decline in value of the German Deutschmark relative to the Canadian dollar had the most significant impact.

Tooling sales included in consolidated sales increased by 39.1% or $280.1 million in fiscal 1997 to $995.9 million, reflecting continued involvement by Magna in new programs and vehicle launches by OEM customers. The most significant programs in fiscal 1997

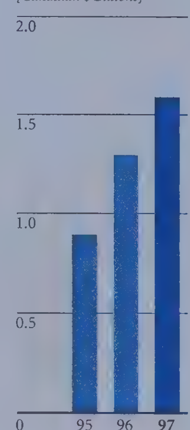
Managed Sales
[Canadian $ Billions]



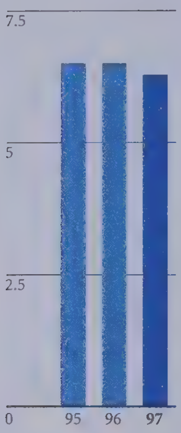
North American Sales
[Canadian $ Billions]



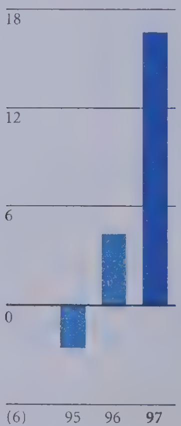
European Sales
[Canadian $ Billions]



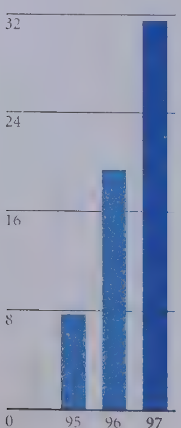
S,G&A
[% of Sales]



Interest Income (Expense)
[Canadian $ Millions]



Equity Income
[Canadian $ Millions]



which contributed to the increase were General Motors GMT 800 pick-up trucks and Chrysler's new line of LH cars.

Managed sales, which include 100% of sales of jointly controlled entities, totalled approximately $8.2 billion for fiscal 1997 compared to $6.2 billion during fiscal 1996 (of which $0.5 billion and $0.3 billion were not included in the Company's consolidated sales for such years, respectively).

Cosma's total sales of $2,159 million for fiscal 1997 increased by 30.8% or $509 million over fiscal 1996 primarily as a result of increased production content per vehicle on new and existing programs and a $211 million increase in tooling sales to support future years' production. MIS's total sales of $2,011 million for fiscal 1997 increased by 50.5% or $675 million over fiscal 1996, of which 45.1% of the increase related to the acquisition of D&L, excluding Bestop, in the current fiscal year and the remaining increase related to growth in production content per vehicle. Decoma's total sales of $951 million for fiscal 1997 increased by 32.8% or $235 million over the prior year, due to increased production content per vehicle on new and existing programs, the acquisition of Bestop in October 1996 which had total sales of $78 million and a $43 million increase in tooling sales in fiscal 1997. Atoma's total sales for fiscal 1997 of $587 million increased by 14.4% or $74 million over fiscal 1996 primarily as a result of increased production content per vehicle on new and existing programs. Magna Europe's total sales of $1,268 million for fiscal 1997, which excludes Tesma's and MMS's European total sales, increased by 27.1% or $270 million over fiscal 1996. The increase was primarily the result of the full year consolidation of the MAC Group, the consolidation of Caradon, Tricom, GNG and Pebra and increased production content per vehicle, partially offset by a reduction in sales arising from equity accounting the Company's remaining interest in MST. Tesma's total sales of $552 million for fiscal 1997 were 20.9% or $96 million higher than fiscal 1996 due to increased North American and European production content per vehicle and the acquisition of Eralmetall GmbH in the third quarter of fiscal 1997 which had sales of $17 million. MMS's total sales of $399 million for fiscal 1997 increased by 12.7% or $45 million over fiscal 1996, due to increased production content per vehicle on new and existing programs. The sales amounts in this paragraph are before intercompany eliminations.

Substantially all of Magna's sales are generated from the sale of automotive components, assemblies, parts and tooling to North American and European OEMs. Approximately 29% and 38% of Magna's production sales during fiscal 1997 and fiscal 1996, respectively, were in respect of products supplied for inclusion in five vehicle body types (including approximately 16% and 21% supplied for the Chrysler minivans during fiscal 1997 and fiscal 1996, respectively).

Facilities: As of July 31, 1997, Magna had 128 manufacturing facilities (including eleven joint venture facilities), of which 84 are in North America, 43 in Europe and 1 in China, as well as 26 product development centres and 22 sales offices. The acquisition of Ayareb and the YMOS Automotive Group in the first quarter of fiscal 1998 resulted in the addition of 6 manufacturing facilities.

Gross Margin: Gross margin, as a percentage of sales, for fiscal 1997 was 17.2% compared to 17.8% for fiscal 1996. The decline in gross margin percentage was primarily a result of the Company consolidating four recent acquisitions, D&L, Caradon, Tricom and GNG, which currently operate at lower gross margin percentages, and an increase in low margin tooling sales, offset in part by the improvement in gross margins at most other North American and European operations arising primarily from improved operating efficiencies.

The competitive environment within the automotive industry has caused OEMs to increase pressure on suppliers for price concessions. Although there can be no certainty regarding Magna's ability to successfully respond to future competitive pressures, Magna has in the past been successful in substantially offsetting required pricing concessions through improved operating efficiencies and cost reductions and believes that its current cost reduction programs will enable it to remain competitive.

S,G&A: Selling, general and administrative expenses as a percentage of total sales decreased from 6.5% for fiscal 1996 to 6.3% in the current fiscal year. Expenditures on selling, general and administrative expenses were $481.7 million for fiscal 1997 representing an increase of $103.9 million over fiscal 1996. The dollar increase in these expenses was principally attributable to the selling, general and administrative expenses of the subsidiaries acquired during fiscal 1997 and fiscal 1996 and to the higher level of sales activity during fiscal 1997.

Interest Income: Interest income (net of interest expense) increased during fiscal 1997 by $12.2 million to $16.5 million, compared to $4.3 million for fiscal 1996. This reflects additional interest income earned by the Company on higher cash balances maintained during fiscal 1997 compared to the prior fiscal year primarily due to cash generated from the Company's June 1996 public offering and the sale of MST and TBCA in December 1996.

Equity Income: Income from equity accounted investments improved by $12.0 million to $31.6 million for fiscal 1997, compared to $19.6 million for fiscal 1996. The increase in equity income is due to increased sales and operating results of equity accounted investments and equity accounting the Company's remaining interest in MST commencing January 1997.

Operating Income: Operating income for fiscal 1997 was $659.9 million, compared to $500.8 million for fiscal 1996. The increase in operating income reflects the gross margin earned on the higher sales level, an increase in interest and equity income, partially offset by a lower gross margin percentage and increases in selling, general and administrative expenses and depreciation and amortization charges.

Other Income: During fiscal 1997, the Company recognized other income of $189.6 million consisting of a gain of $148.7 million on the sale of an 80% interest in MST and TBCA and gains totalling $40.9 million related to the reduction of its ownership interest in Tesma, arising from the treasury issue of shares by Tesma, and the Company's sale of Tesma shares.

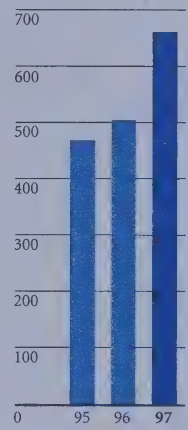
Segmented Income: Magna's North American operations, consisting of operations in Canada, United States and Mexico, and Magna's European operations generated income before corporate expenses, income taxes and minority interest expense ("segmented income") of $632.7 million and $242.2 million during fiscal 1997, respectively. This represents improvements in segmented income during fiscal 1997 of $120.1 million in North America and $192.8 million in Europe over the 1996 fiscal year. The improvement during fiscal 1997 in North American segmented income was attributable to increased North American sales and equity income, offset in part by a lower gross margin percentage, increased selling, general and administrative expenses and depreciation and amortization costs. The gain on the sale of MST and TBCA accounted for $148.7 million of the increase in European segmented income during fiscal 1997 compared to fiscal 1996. The remaining increase in European segmented income was attributable to increases in European sales, gross margin percentage and equity income, partially offset by increases in selling, general and administrative expenses and depreciation and amortization charges. See Note 16 to the Consolidated Financial Statements for additional information.

Income Taxes: Magna's effective income tax rate for fiscal 1997 was 27.4%. Excluding other income and the related tax thereon, Magna's effective income tax rate for fiscal 1997 on operating income was 33.3%, which is an increase of 0.9% over the prior fiscal year and was primarily the result of foreign income tax rate differentials. The effective tax rate on other income recognized in the year was 6.6% as the gain on the sale of MST and TBCA was subject to favourable foreign tax rates and the gain from the reduction in Magna's ownership interest in Tesma, arising from the treasury issue of shares by Tesma, was not subject to tax.

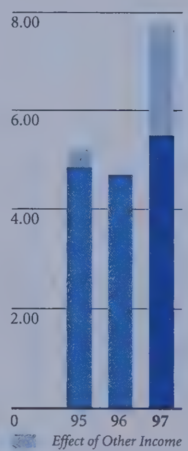
Minority Interest: Minority interest expense for fiscal 1997 decreased by $5.7 million over fiscal 1996 to $13.6 million primarily as a result of the elimination of the remaining minority interest in AII during fiscal 1997 and from not consolidating the Company's remaining interest in MST, which prior to the sale in fiscal 1997 had a minority interest.

Earnings Per Share: On a fully diluted basis, earnings per share for fiscal 1997 was $7.74 and excluding other income, net of related income taxes, fiscal 1997 fully diluted earnings per share was $5.50 per share. This is an improvement over the fiscal 1996 fully diluted earnings per share of $4.71. The average number of shares outstanding for fiscal 1997 on a fully diluted basis was approximately 79.3 million shares or approximately 9.7 million higher than in fiscal 1996, primarily as a result of the issuance of Class A Subordinate Voting Shares during the fourth quarter of fiscal 1996 and the issuance of convertible subordinated debentures by the Company in the first quarter of fiscal 1996.

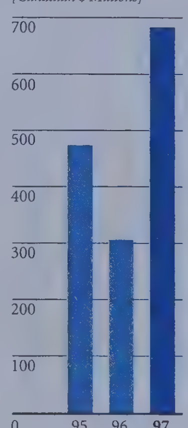
Operating Income
[Canadian $ Millions]



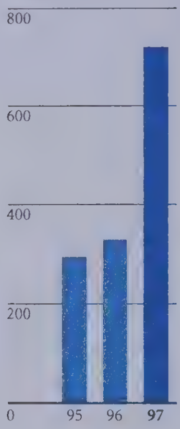
Fully Diluted Earnings Per Share
[Canadian $]



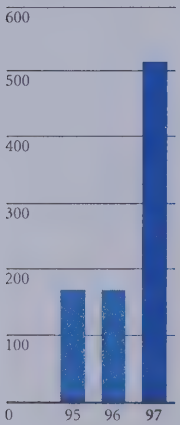
Cash Flow from Operations
[Canadian $ Millions]



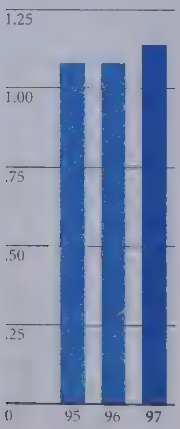
Fixed Asset Spending
[Canadian $ Millions]



Investment Spending
[Canadian $ Millions]



Cash Dividends Paid
[Canadian $]



FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operations: During fiscal 1997, cash flow from operations before changes in non-cash working capital increased by $151.5 million over the prior fiscal year to $689.9 million. Cash invested in non-cash working capital during fiscal 1997 decreased by $223.9 million over fiscal 1996 principally as a result of an increase in accounts payable and other current liabilities and a reduction in the number of days production receivables remain outstanding, partially offset by increases in tooling accounts receivable and tooling inventories required to support the higher level of tooling activity. Overall, cash flow from operations for fiscal 1997 was $684.2 million, representing an increase of $375.4 million from the prior fiscal year.

Capital and Investment Spending: Capital spending totalled $722.5 million for fiscal 1997, compared to $330.7 million for fiscal 1996, reflecting principally higher fixed asset spending to support increased production activities and the construction of new production facilities. Investment and other spending for fiscal 1997 was $516.4 million compared to $170.6 million for the prior year, and included $466.8 million for acquisitions, including D&L, Caradon, Tricom, GNG and the remaining minority interest in AII. Capital and investment spending for existing businesses and projects is expected to be approximately $1.0 billion for fiscal 1998, including the acquisition of Ayareb and the YMOS Automotive Group in the first quarter of fiscal 1998 for approximately $168 million. The majority of the current and upcoming year's capital spending relates to new production contracts awarded, new production facilities, maintenance improvements and planned efficiency enhancements. Management believes Magna is in a position to meet all planned cash requirements from its cash balances on hand, existing credit facilities and funds from operations.

Foreign Currency Activities: Magna's North American operations negotiate sales contracts with North American OEMs for payment in both Canadian and U.S. dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. The North American operations use labour and materials which are paid for in both Canadian and U.S. dollars.

Magna's European operations negotiate sales contracts with European OEMs for payment principally in German Deutschmarks and British Pounds. The European operations' material, equipment and labour are paid for principally in Deutschmarks, Austrian Schillings, a currency which historically has had a stable rate of exchange with the Deutschmark, and British Pounds.

Magna employs hedging programs, primarily through the use of foreign exchange forward contracts, in an effort to manage the foreign exchange exposure which arises when manufacturing facilities have committed to the delivery of products for which the selling price has been quoted in foreign currencies. These commitments represent contractual obligations by Magna to deliver products over the duration of the product programs which can be for a number of years. The amount and timing of the forward contracts will be dependent upon a number of factors, such as production delivery schedules and production costs, which may be paid in the foreign currency. Despite these measures, significant long-term fluctuations in relative currency values could affect Magna's results of operations, particularly a significant change in the value of the Canadian dollar against the U.S. dollar, Deutschmark or the British Pound.

Financing: In fiscal 1997, the Company issued 1,572,911 Class A Subordinate Voting Shares with a stated value of $104.6 million, as partial consideration for the purchase of the remaining interest in AII, and Tesma issued shares, for aggregate cash consideration, net of share issue expenses, of $68.8 million during the year. Also, during fiscal 1997, the Company made long-term debt repayments of $180.5 million, of which $133.5 million related to D&L long-term debt which existed on acquisition.

Dividends: The Company has declared cash dividends in respect of fiscal 1997 of $1.17 per Class A Subordinate Voting Share and Class B Share, an increase of $0.09 per share over dividends declared in respect of fiscal 1996, reflecting the sustained improvements in financial performance. Dividend payments have been financed out of cash flow from operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Magna's management is responsible for the preparation and presentation of the consolidated financial statements and all the information in this Annual Report. The consolidated financial statements were prepared by management in accordance with generally accepted accounting principles. Where alternative accounting methods exist, management has selected those it considered to be most appropriate in the circumstances. Financial statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis designed to ensure that the consolidated financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this Annual Report has been prepared by management to ensure consistency with that in the consolidated financial statements. The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors of Magna.

Management is responsible for the development and maintenance of systems of internal accounting and administrative cost controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant and reliable and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Company's Audit Committee is appointed by its Board of Directors annually and is comprised solely of outside directors. The Committee meets periodically with management, as well as with the independent auditors, to satisfy itself that each is properly discharging its responsibilities, to review the consolidated financial statements and the independent auditors' report and to discuss significant financial reporting issues and auditing matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders.

The consolidated financial statements have been audited by Ernst & Young, the independent auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have full and unrestricted access to the Audit Committee.

Magna International Inc.

September 12, 1997

AUDITORS' REPORT

To the Shareholders of **Magna International Inc.**

We have audited the consolidated balance sheets of **Magna International Inc.** as at July 31, 1997 and 1996 and the consolidated statements of income and retained earnings and cash flows for each of the years in the three year period ended July 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1997 and 1996 and the results of its operations and the changes in its financial position for each of the years in the three year period ended July 31, 1997 in accordance with accounting principles generally accepted in Canada.

Ernst & Young

Toronto, Canada,
September 12, 1997

Ernst & Young
Chartered Accountants

Basis of Presentation
The consolidated financial statements have been prepared in Canadian dollars following accounting policies generally accepted in Canada. These policies are also in conformity, in all material respects, with accounting policies generally accepted in the United States except as described in note 19 to the consolidated financial statements.

Principles of Consolidation
The consolidated financial statements include the accounts of Magna International Inc. and its subsidiaries [the "Company"], some of which have a minority interest. The Company accounts for its interests in jointly controlled entities using the proportionate consolidation method. All significant intercompany balances and transactions have been eliminated.

Cash
Cash includes cash on account, demand deposits and short-term investments with original maturities of less than three months and excludes outstanding cheques which are classified as accounts payable.

Inventories
Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead.

Investments
The Company accounts for its investments in which it has significant influence on the equity basis.

Fixed Assets
Fixed assets are recorded at historical cost including interest capitalized on construction in progress and land under development less related investment tax credits.

Depreciation is provided on a straight-line basis over the estimated useful lives of fixed assets at annual rates of 2 1/2% to 5% for buildings, 7% to 10% for general purpose equipment and 10% to 30% for special purpose equipment.

Costs incurred in establishing new facilities which require substantial time to reach commercial production capability are capitalized as deferred preproduction costs. Amortization is provided over periods up to five years from the date commercial production is achieved.

Goodwill
Goodwill, which represents the excess of the purchase price of the Company's interest in subsidiary companies over the fair value of the underlying net identifiable assets arising on acquisitions, is amortized over periods not exceeding 40 years. The Company reviews the valuation and amortization periods of goodwill whenever events or changes in circumstances warrant such a review. In doing so, the Company evaluates whether there has been a permanent impairment in the value of unamortized goodwill based on the estimated fair value of each business to which the goodwill relates.

Convertible Subordinated Debentures
The Company's convertible subordinated debentures are recorded in part as debt and in part as shareholders' equity.

The debt component consists of the present value of the future interest payments on the convertible subordinated debentures to maturity and is presented as debentures' interest obligation. Interest on the debt component is recognized in income as incurred.

The equity component includes the present value of the principal amount of the convertible subordinated debentures which can be satisfied by issuing Class A Subordinated Voting Shares of the Company at the option of the Company. This amount will be accreted to the face value of the convertible subordinated debentures over the term to maturity through periodic charges, net of income taxes, to retained earnings. Also included in the equity component is the value of the holder's option to convert the convertible subordinated debentures into Class A Subordinate Voting Shares of the Company. The holders' conversion options are valued using a residual value approach. The equity components are disclosed as other paid-in capital in shareholders' equity.

Revenue Recognition
Revenue from the sale of manufactured products is recognized upon shipment to customers.

Government Financing
The Company makes periodic applications for financial assistance under available government assistance programs in the various jurisdictions in which the Company operates. Grants relating to capital expenditures are reflected as a reduction of the cost of the related assets. Grants and tax credits relating to current operating expenditures are recorded as a reduction of expense at the time the eligible expenses are incurred. The Company also receives loans which are recorded as liabilities in amounts equal to the cash received.

Research and Development
The Company carries on various applied research and development programs, certain of which are partially or fully funded by government or by customers of the Company. Funding received is accounted for using the cost reduction approach. Research costs are expensed as incurred and development costs which meet certain criteria where future benefit is reasonably certain are deferred to the extent of their estimated recovery.

Foreign Exchange
Assets and liabilities of foreign subsidiaries are translated using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these subsidiaries are deferred as a separate component of shareholders' equity. The appropriate amounts of exchange gains or losses accumulated in the separate component of shareholders' equity are reflected in income when there is a reduction in the Company's investment in these subsidiaries as a result of capital transactions.

Foreign exchange gains and losses on transactions during the year are reflected in income except for gains and losses on foreign exchange forward contracts used to hedge specific future commitments in foreign currencies. Gains or losses on these contracts are accounted for as a component of the related hedged transaction.

Gains and losses on translation of foreign currency long-term liabilities are deferred and amortized over the period to maturity.

Income Taxes
The Company follows the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between accounting and taxable income result in the recording of deferred income taxes.

Investment tax credits relating to fixed asset purchases and research and development expenses are accounted for as a reduction of the cost of such assets and expenses, respectively.

Earnings Per Share
Basic earnings per share are calculated on net income less the accretion of other paid-in capital using the weighted average number of shares outstanding during the year. The weighted average number of shares is calculated on the assumption that all convertible subordinated debentures converted into Class A Subordinate Voting Shares during the year were converted on the dates of the last interest payments.

Fully diluted earnings per share are calculated on the weighted average number of shares that would have been outstanding during the year had all the dilutive options and convertible subordinated debentures been exercised or converted into Class A Subordinate Voting Shares at the beginning of the year, or date of issuance, if later. The earnings applicable to the Class A Subordinate Voting Shares and Class B Shares are increased by the amount of interest, net of applicable taxes, that would have been earned on funds received due to the exercise of the options and by the amount of financing costs, net of applicable taxes, that would have been eliminated due to the conversion of the convertible subordinated debentures.

Use of Estimates
The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts reported and disclosed in the consolidated financial statements. Actual results could differ from those estimates.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

[Canadian dollars in millions, except per share figures]			*Years ended July 31*	
	Note	**1997**	1996	1995
Sales		**$7,691.8**	$5,856.2	$4,795.4
Cost of goods sold		**6,366.2**	4,811.2	3,855.7
Depreciation and amortization		**232.1**	190.3	163.2
Selling, general and administrative		**481.7**	377.8	313.7
Interest (income) expense	9,10	**(16.5)**	(4.3)	2.5
Equity income		**(31.6)**	(19.6)	(7.8)
Operating income		**659.9**	500.8	468.1
Other income	3,4	**189.6**		17.0
Income before income taxes and minority interest		**849.5**	500.8	485.1
Income taxes	8	**232.5**	162.3	156.4
Minority interest		**13.6**	19.3	11.7
Net income		**603.4**	319.2	317.0
Retained earnings, beginning of year	10	**798.3**	561.8	329.5
		1,401.7	881.0	646.5
Accretion of other paid-in capital	10	**(19.5)**	(14.5)	
Dividends on Class A Subordinate Voting Shares and Class B Shares		**(79.9)**	(68.2)	(65.2)
Surrender of stock options	17			(19.5)
Retained earnings, end of year		**$1,302.3**	$ 798.3	$ 561.8
Earnings per Class A Subordinate Voting Share or Class B Share:				
Basic		**$ 8.30**	$ 4.90	$ 5.20
Fully diluted		**$ 7.74**	$ 4.71	$ 5.16
Cash dividends paid per Class A Subordinate Voting Share or Class B Share		**$ 1.14**	$ 1.08	$ 1.08
Average number of Class A Subordinate Voting Shares and Class B Shares outstanding during the year [in millions]:				
Basic		**70.4**	62.2	61.0
Fully diluted		**79.3**	69.6	61.6

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Canadian dollars in millions]			*Years ended July 31*	
	Note	**1997**	1996	1995
Cash provided from (used for):				
OPERATING ACTIVITIES				
Net income		**$ 603.4**	$ 319.2	$ 317.0
Items not involving current cash flows	15	**86.5**	219.2	155.4
		689.9	538.4	472.4
Changes in non-cash working capital	15	**(5.7)**	(229.6)	0.5
		684.2	308.8	472.9
INVESTMENT ACTIVITIES				
Fixed asset additions		**(722.5)**	(330.7)	(295.6)
Purchase of subsidiaries	2	**(466.8)**	(147.5)	(102.8)
Increase in investments and other		**(49.6)**	(23.1)	(67.8)
Proceeds from disposition of investments and other	3,4	**401.7**	19.9	84.2
Cash acquired on acquisition of subsidiary				17.1
		(837.2)	(481.4)	(364.9)
FINANCING ACTIVITIES				
Issues of Class A Subordinate Voting Shares	11	**104.9**	506.3	13.8
Issues of convertible subordinated debentures	10		454.1	145.3
Issues of shares by subsidiary	4	**68.8**		36.7
Issues of debt	9	**58.6**	32.8	
Repayments of debt	9	**(180.5)**	(27.4)	(62.9)
Repayment of debentures' interest obligation	10	**(20.3)**	(11.8)	
(Repayment) issue of notes payable on acquisition of subsidiary			(35.5)	35.5
Surrender of stock options	17			(19.5)
Conversion of convertible subordinated debentures to Class A Subordinate Voting Shares	11		(0.2)	
Dividends paid to minority interests		**(9.6)**	(1.6)	(6.4)
Dividends		**(79.9)**	(68.2)	(65.2)
		(58.0)	848.5	77.3
Net (decrease) increase in cash during the year		**(211.0)**	675.9	185.3
Cash, beginning of year		**1,089.8**	413.9	228.6
Cash, end of year		**$ 878.8**	$1,089.8	$ 413.9

See accompanying notes

CONSOLIDATED BALANCE SHEETS

Incorporated under the laws of Ontario

[Canadian dollars in millions]	Note	*As at July 31* 1997	1996
ASSETS			
Current assets:			
Cash		**$ 878.8**	$1,089.8
Accounts receivable		**1,165.0**	927.2
Inventories	6	**669.3**	526.1
Prepaid expenses and other		**34.9**	24.3
		2,748.0	2,567.4
Investments	3,17	**99.9**	82.6
Fixed assets	7	**2,071.1**	1,509.5
Goodwill	2	**297.8**	126.5
Other assets		**111.9**	91.3
		$5,328.7	$4,377.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank indebtedness	9	**$ 30.3**	$ 20.9
Accounts payable		**1,069.2**	718.5
Accrued salaries and wages		**145.2**	106.9
Other accrued liabilities		**255.3**	170.6
Income taxes payable	8	**66.1**	9.2
Long-term debt due within one year	9	**14.2**	32.0
		1,580.3	1,058.1
Long-term debt	9	**80.8**	95.9
Debentures' interest obligation	10	**168.1**	188.1
Deferred income taxes	8	**120.0**	123.5
Minority interest	2	**113.5**	154.7
Shareholders' equity:			
Capital stock	11		
Class A Subordinate Voting Shares [issued: 1997 – 70,084,554; 1996 – 68,506,610]		**1,568.0**	1,463.1
Class B Shares [convertible into Class A Subordinate Voting Shares] [issued: 1997 and 1996 – 1,098,309]		**1.3**	1.3
Other paid-in capital	10	**457.8**	430.1
Retained earnings	10	**1,302.3**	798.3
Currency translation adjustment	13	**(63.4)**	64.2
		3,266.0	2,757.0
		$5,328.7	$4,377.3

See accompanying notes

On behalf of the Board:

Director

Chairman of the Board

1. SIGNIFICANT ACCOUNTING POLICIES AND RESTATEMENT

The significant accounting policies followed by the Company are set out under "Significant Accounting Policies" preceding these consolidated financial statements. The comparative figures have been restated as a result of the change in the Company's accounting for convertible subordinated debentures as described in note 10.

2. BUSINESS ACQUISITIONS

The following acquisitions were accounted for using the purchase method:

Fiscal 1997 acquisitions

D&L

The Company acquired all of the common shares of Douglas & Lomason Company ["D&L"] for cash consideration of $181.7 million. D&L is primarily a U.S. based manufacturer of seating systems, seat frames, seat mechanisms, other seating components and soft tops. D&L's results of operations are included in the Company's consolidated results commencing October 1996.

Caradon Automotive Components Group

In December 1996, the Company acquired the Caradon Automotive Components Group ["Caradon"], a U.K. based manufacturer of exterior components, for cash consideration of $45.2 million.

Atoma

During the year, the remaining minority interest in Atoma International Inc. ["Atoma"] was acquired for a purchase price of $116.2 million. The purchase price was satisfied by the issuance of 1,572,911 Class A Subordinate Voting Shares of the Company and the transfer of 99,397 Series 1 Preferred Shares of a subsidiary of the Company, Tesma International Inc. ["Tesma"], that were owned by the Company.

GNG

All of the outstanding share capital of Georg Naher GmbH ["GNG"], a European based manufacturer of trunk linings, interior panels and multi-functional carpet and sound insulation systems, was acquired by the Company for cash consideration of $49.2 million. GNG's results of operations are included in the Company's consolidated results commencing May 1997.

Tricom

In May 1997, the Company acquired all of the outstanding share capital of Tricom Group Holdings Limited ["Tricom"], a U.K. based company which designs, engineers and manufactures complete seats, seat frames and other seating components, for cash consideration of $70.7 million.

The following is a summary of the net effect on the Company's consolidated balance sheet of the current year's acquisitions:

[Canadian dollars in millions]

	D&L	Caradon	Atoma	GNG	Tricom	Others	Total
Net working capital	$ 53.9	$ 1.7		$ (7.1)	$ (2.9)	$ (6.0)	$ 39.6
Fixed and other assets	141.9	33.4		68.1	17.6	13.3	274.3
Goodwill	98.1	10.1	45.3	5.6	56.0	1.1	216.2
Debt	(105.8)			(13.9)		(4.6)	(124.3)
Deferred income taxes	(6.4)			(3.5)			(9.9)
Minority interest			70.9				70.9
Total purchase price	$181.7	$45.2	$116.2	$49.2	$70.7	$ 3.8	$466.8

Consideration paid consisted of cash of $350.7 million, the issue of Class A Subordinate Voting Shares of the Company and the transfer of Series 1 Preferred Shares of Tesma.

Fiscal 1996 acquisitions

Marley Automotive Components Group

The Company acquired the Marley Automotive Components Group ["Marley"], a U.K. based manufacturer of interior components, for cash consideration of $110.0 million. Marley's results of operations are included in the Company's consolidated results commencing April 1996.

Pebra

In July 1996, the Company acquired substantially all of the automotive components operations and assets of Pebra GmbH Paul Braun, a German based manufacturer of exterior components, for cash consideration of $28.9 million.

Summary of fiscal 1996 acquisitions

Consideration paid for acquisitions, including the transactions described above, consisted of cash of $147.5 million. The net effect on the Company's consolidated balance sheet were increases in net working capital of $10.9 million, fixed assets of $89.3 million, goodwill of $46.4 million and debt of $3.0 million and a decrease in minority interest of $3.9 million.

Fiscal 1995 acquisitions

Eybl

A 90% interest in Eybl Durmont AG was acquired by the Company for cash consideration of $12.0 million and promissory notes aggregating $35.5 million.

MST Group

The Company increased its ownership in MST Automotive GmbH Automobil-Sicherheitstechnik ["MST"], by 14.9% to 74.9%. In two separate transactions, it acquired an additional 38.9% interest in MST for cash consideration of $33.1 million and subsequently disposed of a 24% interest for cash proceeds of $20.4 million.

MATAG Group

The Company increased its ownership interest to 60% in Magna Automobiltechnik AG, formerly a jointly controlled entity, by acquiring an additional 10% interest for cash consideration of $14.0 million.

Blau Group

The remaining 45% interest in Blau Autotec Inc. and the remaining 55% interest in Blau International GmbH were acquired by the Company from the President of Tesma for consideration consisting of 739,155 Class A Subordinate Voting Shares of Tesma and $0.4 million of cash.

Summary of fiscal 1995 acquisitions

Consideration paid for the transactions described above consisted of cash of $39.1 million, net of disposal proceeds of $20.4 million, promissory notes of $35.5 million and shares of a subsidiary of $7.8 million.

Pro-forma Impact

If the acquisitions and disposals completed during the current and prior fiscal year had occurred on August 1, 1995, the Company's unaudited pro-forma consolidated sales would have been $7.9 billion in fiscal 1997 [1996 – $6.9 billion] and there would have been no material impact on the net income of the Company.

3. MST AND TBCA TRANSACTIONS

Fiscal 1997 transactions

During fiscal 1997, the Company purchased the remaining interests not owned by it in MST and TEMIC Bayern-Chemie Airbag GmbH ["TBCA"] and immediately resold an 80% interest in these companies. In addition, options exist which allow or may require the Company to dispose of its remaining investment in MST and TBCA. The Company recognized a gain on the sale of $148.7 million which has been reported in other income.

As a result, the Company's remaining 20% interest in MST, which was previously consolidated, is accounted for using the equity method. The Company's remaining 20% interest in TBCA continues to be accounted for using the equity method.

Fiscal 1995 transactions

In fiscal 1995, the Company acquired a 25.1% interest in TBCA for cash consideration of $32.4 million and disposed of a 12.5% interest in Kolbenschmidt AG, the former parent of MST, for cash consideration realizing a gain on disposal of approximately $10.0 million.

4. TESMA PUBLIC OFFERINGS

In June 1997, Tesma completed a public offering by issuing shares for aggregate cash consideration, net of share issue expenses, of $66.9 million. The Company recognized a gain of $33.8 million from its ownership dilution arising from the issue. The gain realized was not subject to income taxes as the issue was completed on a primary basis by Tesma. The Company also recorded a gain of $7.1 million on the sale of 1,000,000 Class A Subordinate Voting Shares of Tesma acquired on the conversion of 110,250 Series 3 Preferred Shares of Tesma.

On July 31, 1995, Tesma completed an initial public offering by issuing shares from treasury for aggregate cash consideration, net of share issue expenses, of $28.9 million. The Company recognized a gain of $17.0 million from its ownership dilution arising from the issue. The gain realized was not subject to income taxes as the issue was completed on a primary basis by Tesma.

The Tesma gains described above have been recorded in other income.

5. INTERESTS IN JOINTLY CONTROLLED ENTITIES

The following is the Company's combined proportionate share of the major components of the financial statements of the jointly controlled entities in which the Company has an interest (before eliminations):

Balance Sheets

	1997	1996
	[Canadian dollars in millions]	
Current assets	**$208.0**	$147.6
Long-term assets	**145.5**	134.2
Current liabilities	**119.3**	93.2
Long-term liabilities	**29.4**	47.1

Statements of Income

	1997	1996	1995
	[Canadian dollars in millions]		
Sales	**$731.4**	$482.6	$293.6
Cost of goods sold, expenses and income taxes	**681.0**	449.0	264.5
Net income	**50.4**	33.6	29.1

Statements of Cash Flows

	1997	1996	1995
	[Canadian dollars in millions]		
Cash provided from (used for):			
Operating activities	**$ 74.5**	$ 52.5	$ 42.0
Investment activities	**(32.3)**	(24.1)	(26.7)
Financing activities	**(21.0)**	(25.6)	(29.1)

6. INVENTORIES

Inventories consist of:

	1997	1996
	[Canadian dollars in millions]	
Raw materials and supplies	**$189.8**	$149.5
Work-in-process	**97.3**	125.9
Finished goods	**99.3**	81.5
Tooling	**282.9**	169.2
	$669.3	$526.1

7. FIXED ASSETS

Fixed assets consist of:

	1997	1996
	[Canadian dollars in millions]	
Land	**$ 201.1**	$ 122.0
Buildings	**555.7**	470.9
Machinery and equipment	**2,276.3**	1,825.5
	3,033.1	2,418.4
Accumulated depreciation [i]	**999.5**	918.7
	2,033.6	1,499.7
Deferred preproduction costs	**37.5**	9.8
	$2,071.1	$1,509.5

Notes:

[i] Accumulated depreciation includes $119.6 million for buildings [1996 – $116.9 million] and $879.9 million for machinery and equipment [1996 – $801.8 million].

[ii] Included in the cost of fixed assets are construction in progress expenditures of $334.4 million [1996 – $98.2 million].

8. INCOME TAXES

[a] The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates as a result of the following:

	1997	1996	1995
Canadian statutory income tax rate	**44.6%**	44.6%	44.5%
Manufacturing and processing profits deduction	**(9.0)**	(9.0)	(9.0)
Expected income tax rate	**35.6**	35.6	35.5
Foreign rate differentials	**0.2**	(0.7)	0.1
Earnings of equity investees	**(1.3)**	(1.3)	(0.6)
Gains on sale and issues of shares by subsidiary	**(6.5)**		(1.2)
Other	**(0.6)**	(1.2)	(1.6)
Effective income tax rate	**27.4%**	32.4%	32.2%

[b] The details of the income tax provision are as follows:

	1997	1996	1995
	[Canadian dollars in millions]		
Current provision –			
Canadian federal taxes	**$106.4**	$ 69.9	$ 69.2
Provincial taxes	**63.1**	43.2	43.1
Foreign taxes	**40.4**	34.7	38.6
	209.9	147.8	150.9
Deferred provision –			
Canadian federal taxes	**9.8**	6.8	2.7
Provincial taxes	**7.9**	4.2	1.7
Foreign taxes	**4.9**	3.5	1.1
	22.6	14.5	5.5
	$232.5	$162.3	$156.4

[c] Deferred income taxes have been provided on timing differences which consist of the following:

	1997	1996	1995
	[Canadian dollars in millions]		
Preproduction costs, capitalized for accounting [net of amortization], deducted for tax	**$10.5**	$ 2.7	$(5.5)
Tax depreciation in excess of book depreciation	**10.3**	15.3	11.3
Other	**1.8**	(3.5)	(0.3)
	$22.6	$14.5	$ 5.5

[d] Income taxes paid in cash were $157.6 million in fiscal 1997 [1996 – $184.8 million; 1995 – $102.3 million].

[e] At July 31, 1997, the Company has income tax loss carry forwards of approximately $94.0 million which relate to certain foreign subsidiaries, including $46.0 million of losses obtained on acquisitions during the year, the tax benefits of which have not been recognized in the consolidated financial statements. Of the total losses, $36.0 million expire between 2000 and 2004 and the remainder have no expiry date.

[f] Consolidated retained earnings includes approximately $550.0 million at July 31, 1997 of undistributed earnings of foreign subsidiaries that may be subject to tax if remitted to the Canadian parent company. No provision has been made for such taxes as these earnings are considered to be reinvested on a long-term basis.

9. DEBT AND COMMITMENTS

[a] The Company's long-term debt, which is substantially unsecured, consists of the following:

	1997	1996
	[Canadian dollars in millions]	
Bank term debt at a weighted average interest rate of approximately 5%, denominated primarily in Austrian Schillings and Deutschmarks	**$54.8**	$ 70.8
Loans from governments at a weighted average interest rate of approximately 4%	**19.5**	13.1
Bank term debt at the prime rate denominated primarily in Canadian dollars	**13.3**	32.8
Other	**7.4**	11.2
	95.0	127.9
Less due within one year	**14.2**	32.0
	$80.8	$ 95.9

[b] Future principal repayments on long-term debt are estimated to be as follows:

	[Canadian dollars in millions]
1998	$14.2
1999	7.8
2000	42.7
2001	19.4
2002	5.6
Thereafter	5.3
	$95.0

[c] At July 31, 1997, the Company has operating lines of credit totaling $157.5 million and term lines of credit totaling $307.3 million. The Company had outstanding letters of credit in the amount of $50.2 million drawn under its lines of credit. In addition to cash resources of $878.8 million, the Company had unused and available operating lines of credit of approximately $138.8 million and term lines of credit of approximately $150.5 million.

[d] Under the terms of the Company's operating and term credit agreements, it is permitted to make use of bankers' acceptances and commercial paper to borrow at effective interest rates which are, from time to time, lower than those charged under the bank lines of credit.

[e] Net interest (income) expense includes:

	1997	1996	1995
	[Canadian dollars in millions]		
Interest expense	**$ 20.1**	$ 22.6	$11.5
Interest income	**(36.6)**	(26.9)	(9.0)
Net interest (income) expense	**$(16.5)**	$ (4.3)	$ 2.5

Substantially all interest expense relates to the debentures' interest obligation and long-term debt.

[f] At July 31, 1997, the Company had commitments under operating leases requiring annual rental payments as follows:

	[Canadian dollars in millions]
1998	$ 63.2
1999	59.6
2000	55.1
2001	54.7
2002	63.2
Thereafter	98.2
	$394.0

In fiscal 1997, payments under operating leases amounted to approximately $53.1 million [1996 – $43.7 million; 1995 – $43.8 million].

10. CONVERTIBLE SUBORDINATED DEBENTURES

[a] The Canadian Institute of Chartered Accountants issued new accounting recommendations for the presentation and disclosure of financial instruments which the Company has adopted on a retroactive basis in fiscal 1997. In accordance with the new recommendations described under Significant Accounting Policies, convertible subordinated debentures are recorded as components of debt and shareholders' equity. The most significant changes to the consolidated financial statements are as follows:

	1997	1996
	[Canadian dollars in millions]	
Increase (decrease):		
Convertible subordinated debentures	**$(614.4)**	$(612.8)
Debentures' interest obligation	**168.1**	188.1
Other paid-in capital	**457.8**	430.1
Retained earnings	**(8.4)**	(4.3)

The interest cost of the convertible subordinated debentures is now presented in part as interest expense and in part as a charge to retained earnings. As a result, net income increased by $15.4 million [1996 – $10.2 million], however, there is no impact on fully diluted earnings per share.

[b] After adopting the new recommendations, the convertible subordinated debentures are presented in the consolidated balance sheets as follows:

	1997	1996
	[Canadian dollars in millions]	
Debentures' interest obligation	**$168.1**	$188.1
Present value of the face amount of the convertible subordinated debentures	**395.8**	368.1
Holders' conversion option	**67.6**	67.6
Issue costs related to equity components	**(5.6)**	(5.6)
Total other paid-in capital	**$457.8**	$430.1

[c] The following is a summary of the convertible subordinated debentures:

5% Convertible Subordinated Debentures

On October 17, 1995, the Company issued U.S. $345 million of 5% convertible subordinated debentures at par, for net proceeds after issue costs of Cdn. $454.1 million. The unsecured debentures, which are denominated in U.S. dollars, are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of U.S. $54.40 per share and mature on October 15, 2002. The debentures are redeemable after October 14, 1998 or at any time in the event of certain changes affecting Canadian withholding taxes, at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, or repurchase in the event of certain changes in control of the Company, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At July 31, 1997 and July 31, 1996, all debentures remained outstanding.

7.25% Convertible Unsecured Subordinated Debentures

On July 5, 1995, the Company issued $150 million of 7.25% convertible subordinated debentures at par, for net proceeds after issue costs of $145.3 million. The debentures which are unsecured are convertible at any time at the option of the holders into Class A Subordinate Voting Shares at a conversion price of $60.25 per share and mature on July 5, 2005. The debentures are redeemable after July 7, 1998 at par plus accrued and unpaid interest. Upon redemption or maturity of the debentures, the Company may at its option satisfy the amounts payable by issuing to the holders Class A Subordinate Voting Shares of the Company, based on ninety-five percent of a weighted average trading price of Class A Subordinate Voting Shares, provided that there is no continuing event of default. At July 31, 1997 and July 31, 1996, there were debentures with a face value of $149.8 million outstanding.

11. CAPITAL STOCK

[a] The Company's authorized, issued and outstanding capital stock is as follows:

Preference shares – issuable in series –

The Company's authorized capital stock includes 99,760,000 preference shares, issuable in series. None of these shares are currently issued or outstanding.

Class A Subordinate Voting Shares and Class B Shares –

Class A Subordinate Voting Shares without par value [unlimited amount authorized] have the following attributes:

[i] Each share is entitled to one vote per share at all meetings of shareholders.

[ii] Each share shall participate equally as to dividends with each Class B Share.

Class B Shares without par value [authorized – 1,412,341] have the following attributes:

[i] Each share is entitled to 500 votes per share at all meetings of shareholders.

[ii] Each share shall participate equally as to dividends with each Class A Subordinate Voting Share.

[iii] Each share may be converted at any time into a fully-paid Class A Subordinate Voting Share on a one-for-one basis.

In the event that either the Class A Subordinate Voting Shares or the Class B Shares are subdivided or consolidated, the other class shall be similarly changed to preserve the relative position of each class.

[b] Changes in the Class A Subordinate Voting Shares and Class B Shares for the three years ended July 31, 1997 are shown in the following table [Canadian dollars in millions]:

	Class A Subordinate Voting		Class B	
	Number of shares	Stated value	Number of shares	Stated value
Issued and outstanding at July 31, 1994	59,667,118	$ 937.0	1,109,409	$1.3
Conversion of Class B Shares to Class A Shares	5,100		(5,100)	
Issued for cash under the 1987 Incentive Stock Option Plan	657,557	13.7		
Issued under the Dividend Reinvestment Plan	1,252	0.1		
Issued and outstanding at July 31, 1995	60,331,027	950.8	1,104,309	1.3
Conversion of Class B Shares to Class A Shares	6,000		(6,000)	
Conversion of 7.25% convertible subordinated debentures	3,601	0.2		
Issued under the Dividend Reinvestment Plan	982	0.1		
Issued for cash	8,165,000	512.0		
Issued and outstanding at July 31, 1996	68,506,610	1,463.1	1,098,309	1.3
Issue for cash under the 1987 Incentive Stock Option Plan	3,500	0.2		
Issued under the Dividend Reinvestment Plan	1,533	0.1		
Issued on acquisition of a subsidiary [i]	1,572,911	104.6		
Issued and outstanding at July 31, 1997	70,084,554	$1,568.0	1,098,309	$1.3

Note:

[i] In fiscal 1997, the Company issued 1,572,911 Class A Subordinate Voting Shares as partial consideration for the purchase of the remaining interest in Atoma.

[c] Under the 1987 Incentive Stock Option Plan originally approved by the shareholders in December 1987, as amended and subsequently approved by the shareholders in December 1995, the Company may grant options to purchase Class A Subordinate Voting Shares to full-time employees of the Company. The maximum number of shares that can be reserved to be issued for options is 6.0 million shares. The number of unoptioned shares available to be reserved at July 31, 1997 was 5.9 million [1996 – 5.9 million].

The following is a continuity schedule of options outstanding:

	1997	1996
Balance, beginning of year	**100,000**	
Issued		100,000
Exercised	**(3,500)**	
Balance, end of year	**96,500**	100,000
Exercise price per share on outstanding options at end of year	**$62.75**	$62.75

[d] The Company has a Dividend Reinvestment Plan whereby shareholders have the option to receive their dividends in the form of Class A Subordinate Voting Shares in lieu of cash.

[e] The following table presents the maximum number of shares that would be outstanding if all the dilutive instruments outstanding at July 31, 1997 were exercised:

	[Thousands of shares]
Class A Subordinate Voting Shares and Class B Shares outstanding at July 31, 1997	71,183
5% Convertible Subordinated Debentures	6,342
7.25% Convertible Unsecured Subordinated Debentures	2,486
Stock options	97
	80,108

12. FINANCIAL INSTRUMENTS

The Company operates globally, which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange. Foreign exchange forward contracts are used by the Company to manage foreign exchange risk. The Company does not enter into foreign exchange forward contracts for speculative purposes.

[a] **Foreign Exchange Contracts**

The Canadian operations of the Company have net cash inflows denominated in U.S. dollars. The Company utilizes foreign exchange forward contracts for the sole purpose of hedging a significant portion of its projected future exposure arising from the commitment to deliver products, the selling prices of which have been quoted in U.S. dollars. At July 31, 1997, the Company had outstanding foreign exchange forward contracts representing a net commitment to sell approximately U.S. $313.1 million at weighted average rates of exchange of Cdn. $1.41. These contracts mature over the next five years as follows:

	U.S. Dollar Amount	Weighted Average Rate
	[Amounts in millions]	
1998	$179.3	1.39
1999	60.8	1.44
2000	31.7	1.40
2001	33.0	1.42
2002	8.3	1.38
	$313.1	1.41

Based on forward foreign exchange rates as at July 31, 1997 for contracts with similar remaining terms to maturity, the unrecognized net gains relating to the Company's forward exchange contracts are approximately $15.8 million. If the Company's forward exchange contracts ceased to be effective as hedges [for example, if projected net cash inflows declined significantly], previously unrecognized gains or losses pertaining to the portion of the hedging transactions in excess of projected foreign denominated cash flows would be recognized in income at the time this condition was identified.

[b] **Fair Value**

The methods and assumptions used to estimate the fair value of financial instruments are described below.

Cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities

Due to the short period to maturity of the instruments, the carrying values as presented in the consolidated balance sheets are reasonable estimates of fair value.

Investments

Fair value information is not readily available. However, management believes the market value to be in excess of the carrying value of investments.

Long-term debt

The fair value of the Company's long-term debt and debentures' interest obligation, based on current rates for debt with similar terms and maturities, are not materially different from their carrying value.

[c] **Credit Risk**

The Company's financial assets that are exposed to credit risk consist primarily of cash, accounts receivable and foreign exchange forward contracts.

Cash which consists of short-term investments, including commercial paper, is only invested in governments and corporations with an investment grade credit rating. Credit risk is further reduced by limiting the amount which is invested in any one government or corporation.

The Company, in the normal course of business, is exposed to credit risk from its customers, substantially all of which are in the automotive industry.

The Company is also exposed to credit risk from the potential default by any of its counterparties on its foreign exchange forward contracts. The Company mitigates this credit risk by dealing with counterparties who are major financial institutions and which the Company anticipates will satisfy their obligations under the contracts.

[d] **Interest Rates**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities, its insignificant long-term debt balances and the minimum periods to redemption of the Company's convertible subordinated debentures.

13. CURRENCY TRANSLATION ADJUSTMENT

The following is a continuity schedule of the currency translation adjustment account included in shareholders' equity:

	1997	1996
	[Canadian dollars in millions]	
Balance, beginning of year	**$ 64.2**	$ 77.7
Translation adjustments	**(127.6)**	(13.5)
Balance, end of year	**$ (63.4)**	$ 64.2

Unrealized translation adjustments, which arise on the translation to Canadian dollars of assets and liabilities of the Company's self-sustaining foreign operations, resulted in an unrealized currency translation loss of $127.6 million for fiscal 1997 primarily from the weakening of the German Deutschmark against the Canadian dollar during the year. In fiscal 1996, the Company had an unrealized currency translation loss of $13.5 million primarily from the weakening of the German Deutschmark against the Canadian dollar.

14. RESEARCH AND DEVELOPMENT

Research and development expenditures, net of amounts funded by governments or customers, for fiscal 1997 were $137.9 million [1996 – $112.7 million; 1995 – $68.7 million].

15. DETAILS OF CASH FROM OPERATING ACTIVITIES

[a] Items not involving current cash flows:

	1997	1996	1995
	[Canadian dollars in millions]		
Depreciation and amortization	**$ 232.1**	$190.3	$163.2
Minority interest	**13.6**	19.3	11.7
Deferred income taxes	**22.6**	14.5	5.2
Equity income and other	**7.8**	(4.9)	(7.7)
Gains on sale and issues of shares by subsidiary	**(189.6)**		(17.0)
	$ 86.5	$219.2	$155.4

[b] Changes in non-cash working capital:

	1997	1996	1995
	[Canadian dollars in millions]		
Accounts receivable	**$(129.3)**	$(218.8)	$(30.4)
Inventories	**(92.0)**	(49.8)	(62.5)
Prepaid expenses and other	**(8.8)**	5.9	5.0
Accounts payable and other accrued liabilities	**167.8**	69.2	35.7
Accrued salaries and wages	**22.7**	10.2	9.1
Income taxes payable	**33.9**	(46.3)	43.6
	$ (5.7)	$(229.6)	$ 0.5

16. SEGMENTED INFORMATION

The Company's operations are substantially all related to the automotive industry. Operations include the manufacture of automobile parts for the original equipment manufacturers as well as products for the after-market. Substantially all revenue is derived from sales to North American and European facilities of the major automobile manufacturers. In fiscal 1997, sales to the Company's four largest customers amounted to 25%, 22%, 17% and 7% [1996 – 30%, 22%, 16% and 10%; 1995 – 30%, 25%, 15% and 11%] of total sales, respectively.

The following table shows certain information with respect to geographic segmentation [Canadian dollars in millions]:

1997	Canada	Europe	United States and Other	Total
Sales	$3,492.4	$1,613.4	$2,586.0	$7,691.8
Income before the following [i]	$ 488.4	$ 242.2	$ 144.3	$ 874.9
Corporate expenses [ii]				(25.4)
Income before income taxes and minority interest				$ 849.5
Assets	$1,683.2	$1,357.4	$1,634.9	$4,675.5
Corporate assets				653.2
Total assets				$5,328.7

1996	Canada	Europe	United States and Other	Total
Sales	$2,830.7	$1,306.0	$1,719.5	$5,856.2
Income before the following	$ 399.6	$ 49.4	$ 113.0	$ 562.0
Corporate expenses [ii]				(61.2)
Income before income taxes and minority interest				$ 500.8
Assets	$1,352.2	$1,101.1	$ 888.4	$3,341.7
Corporate assets				1,035.6
Total assets				$4,377.3

1995	Canada	Europe	United States and Other	Total
Sales	$2,427.5	$ 923.7	$1,444.2	$4,795.4
Income before the following	$ 382.3	$ 28.8	$ 124.6	$ 535.7
Corporate expenses [ii]				(50.6)
Income before income taxes and minority interest				$ 485.1
Assets	$1,143.9	$ 802.8	$ 822.4	$2,769.1
Corporate assets				340.7
Total assets				$3,109.8

Notes:

[i] Included in Europe's 1997 income is a gain on the sale of MST and TBCA of $148.7 million as described in note 3.

[ii] Corporate expenses include:

	1997	1996	1995
	[Canadian dollars in millions]		
Net interest (income) expense	**$(16.5)**	$(4.3)	$ 2.5
Selling, general and administrative	**82.8**	65.5	65.1
Gains on sale and issues of shares of subsidiary	**(40.9)**		(17.0)
	$ 25.4	$61.2	$50.6

[iii] In fiscal 1997, Canadian sales include export sales of $2,219 million [1996 – $1,821 million; 1995 – $1,549 million], substantially all of which are to the United States. Export sales of the other geographic segments are not significant.

[iv] Income before income taxes and minority interest from foreign operations for fiscal 1997 amounted to $378.2 million [1996 – $172.0 million; 1995 – $154.5 million].

17. TRANSACTIONS WITH RELATED PARTIES

Two wholly owned subsidiaries of the Company have agreements with an affiliate of the Chairman of the Board for the provision of business development and consulting services. The aggregate amount payable under these agreements with respect to fiscal 1997 was U.S. $15.0 million [1996 – U.S. $15.0 million; 1995 – U.S. $10.8 million].

In fiscal 1997, the Company purchased the Chairman of the Board's interest in a life insurance policy maintained by the Company on his behalf for $1.0 million. Subsequently, the Company surrendered the life insurance policy and received proceeds of $8.2 million.

In January 1997, a wholly owned subsidiary of the Company paid an affiliate of the Chairman of the Board a consulting fee of U.S. $3.75 million related to the sale of MST and TBCA.

During fiscal 1997, trusts which exist to make orderly purchases of the Company's shares for employees, either for transfer to the employees' Deferred Profit Sharing Plan which invests exclusively in such shares, or to recipients of either bonuses or rights to purchase such shares from the trusts, borrowed up to $40.0 million [1996 – $24.2 million; 1995 – $32.3 million] from the Company to facilitate the purchase of Class A Subordinate Voting Shares of the Company. At July 31, 1997, the trusts' indebtedness to the Company was $27.9 million [1996 – $24.2 million; 1995 – $21.9 million].

Investments include $3.2 million [1996 – $3.2 million; 1995 – $3.2 million], at cost, in respect of an investment in a company that was established to acquire shares of the Company for sale to employees.

In fiscal 1995, the Company purchased approximately 90 acres of land, adjacent to properties owned by the Company in the Town of Aurora, Ontario [near Metropolitan Toronto], from a company controlled by the Chairman of the Board for $10.9 million. The Company has completed construction of an advanced production facility, which commenced manufacturing activities in fiscal 1995, on a portion of these lands. The Company is in the process of constructing a corporate head office and a research and product development centre on the remaining lands.

In fiscal 1995, the Chairman of the Board surrendered 815,943 options to purchase Class A Subordinate Voting Shares of the Company for $19.5 million and exercised 274,057 other options. The proceeds on the surrender of the options were used to satisfy the exercise price of the other options, amounting to $2.4 million, and withholding taxes related to the options.

The Company obtains services from firms in which non-officer directors of the Company are partners or officers. These services include legal services and underwriting of equity and debt issues. On an annual basis, legal fees and underwriters' fees paid to such firms were not in aggregate in excess of two-tenths of one percent of revenue.

18. CONTINGENCIES

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

19. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's accounting policies as reflected in these consolidated financial statements do not materially differ from accounting principles generally accepted in the United States ["U.S. GAAP"] except for:

[a] The gain or loss on translation of the Company's foreign currency denominated debt is deferred and amortized over the remaining life of the debt. Under U.S. GAAP, the gain or loss on translation is included in income when it arises.

[b] The income tax provision is based on the deferral method and adjustments are generally not made for changes in income tax rates. Under U.S. GAAP, the provision is based on the liability method and adjustments are made for enacted changes in income tax rates.

[c] The amount paid on the surrender of stock options is deducted from retained earnings. Under U.S. GAAP, this amount would be deducted in computing income.

[d] The Company's convertible subordinated debentures are recorded in part as debt and in part as shareholders' equity. Under U.S. GAAP, the convertible subordinated debentures would be recorded as debt.

[e] The Company has certain interests in jointly controlled entities which have been proportionately consolidated in the Company's financial statements. For purposes of U.S. GAAP, these interests would be accounted for by the equity method. Net income, earnings per share and shareholders' equity under U.S. GAAP are not impacted by the proportionate consolidation of these interests in jointly controlled entities.

[f] The following table presents net income and earnings per share information following U.S. GAAP:

	1997	1996	1995
	[Canadian dollars in millions, except per share figures]		
Net income under Canadian GAAP	**$603.4**	$319.2	$317.0
Adjustments [net of related tax effects]:			
Additional interest expense on convertible subordinated debentures	**(15.4)**	(10.2)	
Income tax provision adjustment under the liability method	**(0.7)**	(0.4)	0.8
Deferred losses on foreign currency denominated debt [net of amortization]	**(0.1)**	(7.2)	
Surrender of stock options			(19.5)
Net income under U.S. GAAP	**$587.2**	$301.4	$298.3
Earnings per Class A Subordinate Voting Share or Class B Share under U.S. GAAP [i]:			
Primary	**$ 8.34**	$ 4.85	$ 4.86
Fully diluted	**$ 7.74**	$ 4.60	$ 4.86

Note:

[i] Earnings per share is determined using the weighted average number of shares outstanding during the year, adjusted to reflect the application of the treasury stock method for options in accordance with U.S. GAAP.

[g] The following table indicates the significant items in the consolidated balance sheets that would have been affected had the financial statements been prepared under U.S. GAAP. The revised amounts would have been as follows:

	1997	1996
	[Canadian dollars in millions]	
Convertible subordinated debentures	**$625.8**	$624.0
Debentures' interest obligation	**—**	—
Other paid-in capital	**—**	—

[h] The fiscal 1997 acquisition of an additional interest in Atoma, as described in note 2, would be considered a non-cash transaction under U.S. GAAP resulting in a reduction of $104.6 million in the total investment and financing activities in the consolidated statement of cash flows.

The consolidated statements of cash flows prepared in accordance with Canadian GAAP conform with U.S. GAAP in all material respects except for the impact of proportionate consolidation and the Atoma acquisition described above.

[i] Deferred income taxes under U.S. GAAP consist of the following temporary differences:

	1997	1996
	[Canadian dollars in millions]	
Assets:		
Tax benefit of loss carry forwards		
Pre-acquisition	**$ 17.0**	
Post acquisition	**18.0**	19.0
Other	**3.3**	
	38.3	19.0
Valuation allowance	**(35.0)**	(19.0)
	3.3	
Liabilities:		
Tax depreciation in excess of book depreciation	**108.5**	112.5
Other		0.8
	108.5	113.3
Net deferred income taxes	**$105.2**	$113.3

[j] Interest paid in cash was $40.6 million for fiscal 1997 [1996 – $32.5 million; 1995 – $11.0 million].

[k] The Company does not recognize a compensation expense for its outstanding fixed price stock options. Had compensation cost for the stock option plan been determined based upon the fair value at the grant date for awards, consistent with the methodology prescribed under FASB Statement No. 123 "Accounting for Stock-Based Compensation", there would have been no material impact on earnings per share.

[l] Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates. Specifically, FASB Statement No. 128 "Earnings Per Share" is effective for fiscal periods ending after December 15, 1997. Adoption of this statement is not expected to significantly affect the reported U.S. GAAP earnings per share data for fiscal 1997 and 1996.

20. SUBSEQUENT EVENTS

In August 1997, the Company entered into a joint venture which acquired the operations and assets of Moldes Para Plastico Ayareb, S.A. de C.V. located in Mexico. Cash invested in the joint venture was approximately $28 million and total bank indebtedness and long-term debt assumed was approximately $31 million. The Company will own 70 percent and will exercise operational and management control over the joint venture. The operations will manufacture and finish fascias, grills and other exterior components for the Mexican automotive industry.

On September 9, 1997, the Company entered an agreement to acquire from YMOS AG all of its plastics exterior and interior component operations [the "YMOS Automotive Group"] for a purchase price of approximately $140 million. The YMOS Automotive Group is a leading supplier of fascias, grills, exterior trim, body side and other mouldings, instrument panels and consoles to the European automotive industry. The acquisition is subject to regulatory and other consents and approvals.

ELEVEN YEAR FINANCIAL SUMMARY

[Canadian dollars in millions, except per share figures]

	Years ended July 31										
	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987
Operational Data											
Sales	**$7,691.8**	$5,856.2	$4,795.4	$3,883.9	$2,878.2	$2,575.5	$2,212.2	$2,107.3	$2,093.1	$1,536.0	$1,182.1
Net income (loss) (1)	**603.4**	319.2	317.0	234.4	140.4	98.0	16.5	(224.2)	33.6	19.5	40.3
Basic earnings (loss) per Class A or Class B Share (1)	**$8.30**	$4.90	$5.20	$4.18	$3.09	$2.91	$0.59	($8.06)	$1.21	$0.70	$1.56
Fully diluted earnings (loss) per Class A or Class B Share	**$7.74**	$4.71	$5.16	$3.87	$2.55	$2.08	$0.58	($8.06)	$1.19	$0.70	$1.52
Depreciation and amortization	**232.1**	190.3	163.2	137.6	123.6	119.1	115.7	114.9	108.5	78.3	55.8
Cash flow from operations (1)	**684.2**	308.8	472.9	373.8	336.1	237.4	117.4	172.7	93.4	(36.5)	53.0
Cash dividends paid per Class A or Class B Share	**$1.14**	$1.08	$1.08	$0.81	$0.55	$0.20	—	$0.24	$0.48	$0.48	$0.48
Average number of Class A and Class B Shares outstanding (thousands)	**70,369**	62,152	61,034	55,973	45,443	33,625	27,825	27,819	27,819	27,836	25,860
Financial Position											
Total assets (1)	**5,328.7**	4,377.3	3,107.1	2,442.7	1,674.4	1,533.5	1,579.2	1,862.2	1,955.7	1,763.0	1,335.1
Fixed assets less accumulated depreciation and amortization	**2,071.1**	1,509.5	1,304.7	1,076.3	863.1	881.3	962.3	1,005.1	1,208.7	1,092.6	932.7
Working capital (1,2)	**1,167.7**	1,509.3	551.2	354.7	213.6	103.2	22.1	(646.5)	78.5	58.8	62.3
Capital expenditures	**722.5**	330.7	295.6	226.2	84.4	54.7	98.3	191.7	293.0	271.6	422.4
Long-term debt (1,2)	**248.9**	284.0	165.4	103.9	167.8	320.6	655.0	—	756.4	679.7	508.6
Shareholders' equity (1,3)	**3,266.0**	2,757.0	1,669.2	1,319.8	844.4	590.3	268.1	231.1	464.3	446.1	448.9
Equity per Class A or Class B Share (1)	**$45.88**	$39.61	$27.17	$21.72	$16.91	$14.74	$8.91	$8.31	$16.69	$16.04	$16.10
Long-term debt to shareholders' equity ratio (1,2,3)	**0.08:1**	0.10:1	0.10:1	0.08:1	0.20:1	0.54:1	2.44:1	—	1.63:1	1.52:1	1.13:1

(1) 1996 and 1995 have been restated to reflect the change in accounting method for financial instruments as described in note 10 of the Consolidated Financial Statements.
(2) 1990 figures reflect all debt as a current liability defined as "debt to be restructured".
(3) 1991 figures include $20 million of warrants to purchase Class A Subordinate Voting Shares.

Supplementary Quarterly Data (unaudited)

[Canadian dollars in millions, except per share figures]

Fiscal 1997 *(See Note)*	October 31	January 31	April 30	July 31	Total
Sales	$1,836.7	$1,795.7	$2,088.0	$1,971.4	$7,691.8
Gross Margin	329.5	306.2	358.7	331.2	1,325.6
Net Income	104.8	231.2	125.4	142.0	603.4
Earnings per share:					
Basic	$ 1.44	$ 3.25	$ 1.69	$ 1.92	$ 8.30
Fully Diluted	1.37	2.97	1.60	1.80	7.74

Fiscal 1996	October 31	January 31	April 30	July 31	Total
Sales	$1,294.7	$1,313.5	$1,589.0	$1,659.0	$5,856.2
Gross Margin	240.9	231.5	285.3	287.3	1,045.0
Net Income	73.2	66.3	90.5	89.2	319.2
Earnings per share:					
Basic	$ 1.17	$ 1.01	$ 1.40	$ 1.32	$ 4.90
Fully Diluted	1.15	0.98	1.33	1.25	4.71

Note: Net income and basic earnings per share for fiscal 1996 have been restated as described in note 10 to the Consolidated Financial Statements.

Share Information

The Class A Subordinate Voting Shares ("Class A Shares") are listed and traded in Canada on The Toronto Stock Exchange ("TSE") and the Montreal Exchange and in the United States on the New York Stock Exchange ("NYSE"). The Class B Shares are listed and traded in Canada on the TSE. As of September 30, 1997, there were 1,229 registered holders of Class A Shares and 122 registered holders of Class B Shares.

Distribution of Shares

	Class A	Class B
Canada	42.44%	98.98%
United States	57.16%	1.02%
Other	0.40%	—

Price Range of Shares

Canada

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and Class B Shares and volumes of Class A Shares and Class B Shares traded, in each case as reported by the TSE.

CLASS A (TSE) ($CDN)

	1997			1996		
Quarter	Volume	High	Low	Volume	High	Low
1st	7,083,993	68.40	61.45	5,237,815	65.00	56.25
2nd	8,030,583	78.00	66.25	4,194,759	62.25	55.50
3rd	13,359,116	75.80	68.05	7,094,624	65.00	52.25
4th	12,148,163	93.75	72.75	4,910,544	70.00	57.00

CLASS B (TSE) ($CDN)

	1997			1996		
Quarter	Volume	High	Low	Volume	High	Low
1st	180	66.00	65.00	600	62.00	57.75
2nd	6,480	77.00	67.00	728	61.00	59.00
3rd	2,893	76.00	68.00	4,720	64.00	53.00
4th	3,065	94.00	74.00	3,235	66.50	64.00

United States

The following table sets forth, for the fiscal periods indicated, the high and low sale prices of the Class A Shares and volumes of Class A Shares traded, as reported by the NYSE.

CLASS A (NYSE) ($U.S.)

	1997			1996		
Quarter	Volume	High	Low	Volume	High	Low
1st	9,409,600	50.88	44.25	8,262,100	48.00	41.50
2nd	10,906,800	57.75	49.63	10,649,700	45.88	40.50
3rd	12,046,800	56.00	49.00	12,985,300	47.75	37.63
4th	11,008,200	67.13	52.13	11,138,600	50.88	41.75

Officers

Donald Walker
President & Chief Executive Officer

William H. Fike
Vice-Chairman & Executive Vice-President

Donald Amos
Executive Vice-President, Administration & Human Resources

C. Dennis Bausch
Executive Vice-President, Marketing & Planning

J. Brian Colburn
Executive Vice-President, Special Projects & Secretary

Vincent J. Galifi
Executive Vice-President, Finance

Graham J. Orr
Executive Vice-President, Corporate Development

Belinda Stronach
Vice-President, Diversa Group

Frank Burke
Vice-President & Treasurer

John Simonetti
Assistant Vice-President, Taxation

Douglas R. Tatters
Controller

Bruce R. Cluney
Assistant Secretary

Board of Directors

Frank Stronach
Chairman of the Board

Donald Walker
President & Chief Executive Officer

William H. Fike
Vice-Chairman & Executive Vice-President

The Honourable William G. Davis
Counsel, Tory Tory DesLauriers & Binnington

George C. Hitchman
Corporate Director

The Honourable Edward C. Lumley
Vice-Chairman, Nesbitt Burns Inc.

Gerhard Randa
Chairman & Chief Executive Officer, Bank Austria AG

Donald Resnick
Corporate Director

Royden R. Richardson
Consultant, Royal Bank Investment Management Inc.

Belinda Stronach
Vice-President, Diversa Group

The Honourable Franz Vranitzky
Corporate Director

Office Locations for Magna and its Automotive Systems Corporations

Magna International Inc.
337 Magna Drive
Aurora, Ontario, Canada L4G 7K1
Telephone: (905) 726-2462
Internet address: http://www.MagnaInt.com

Magna International of America, Inc.
26200 Lahser Road, Suite 300
Southfield, Michigan, USA 48034
Telephone: (248) 353-5540

Magna Holding AG
Magna-Strasse 1,
A-2522 Oberwaltersdorf, Austria
Telephone: 011-43-2253-600-0

Atoma International Corp.
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Newmarket, Ontario, Canada L3Y 4X7
Telephone: (905) 898-2665

Cosma International Inc.
50 Casmir Court
Concord, Ontario, Canada L4K 4J5
Telephone: (905) 669-9000

Decoma International Inc.
50 Casmir Court
Concord, Ontario, Canada L4K 4J5
Telephone: (905) 669-2888

Magna Interior Systems of America, Inc.
19700 Haggerty Road, South Building
Livonia, Michigan, USA 48152
Telephone: (313) 591-4440

Magna Interior Systems (Trim Panels) Inc.
27300 Haggerty Road, Suite F-10
Farmington Hills, Michigan, USA 48331
Telephone: (248) 553-9500

Magna Lomason, Inc.
24600 Hallwood Court
Farmington Hills, Michigan, USA 48335-1671
Telephone: (248) 478-7800

Magna Mirror Systems Inc.
6151 Bancroft Avenue
Alto, Michigan, USA 49302
Telephone: (616) 868-6122

Tesma International Inc.
300 Edgeley Boulevard
Concord, Ontario, Canada L4K 3Y3
Telephone: (905) 669-5444

Transfer Agents and Registrars

Canada – Class A and Class B
Montreal Trust Company of Canada,
Toronto, Montreal and Vancouver

United States – Class A
The Bank of Nova Scotia
Trust Company of New York, New York

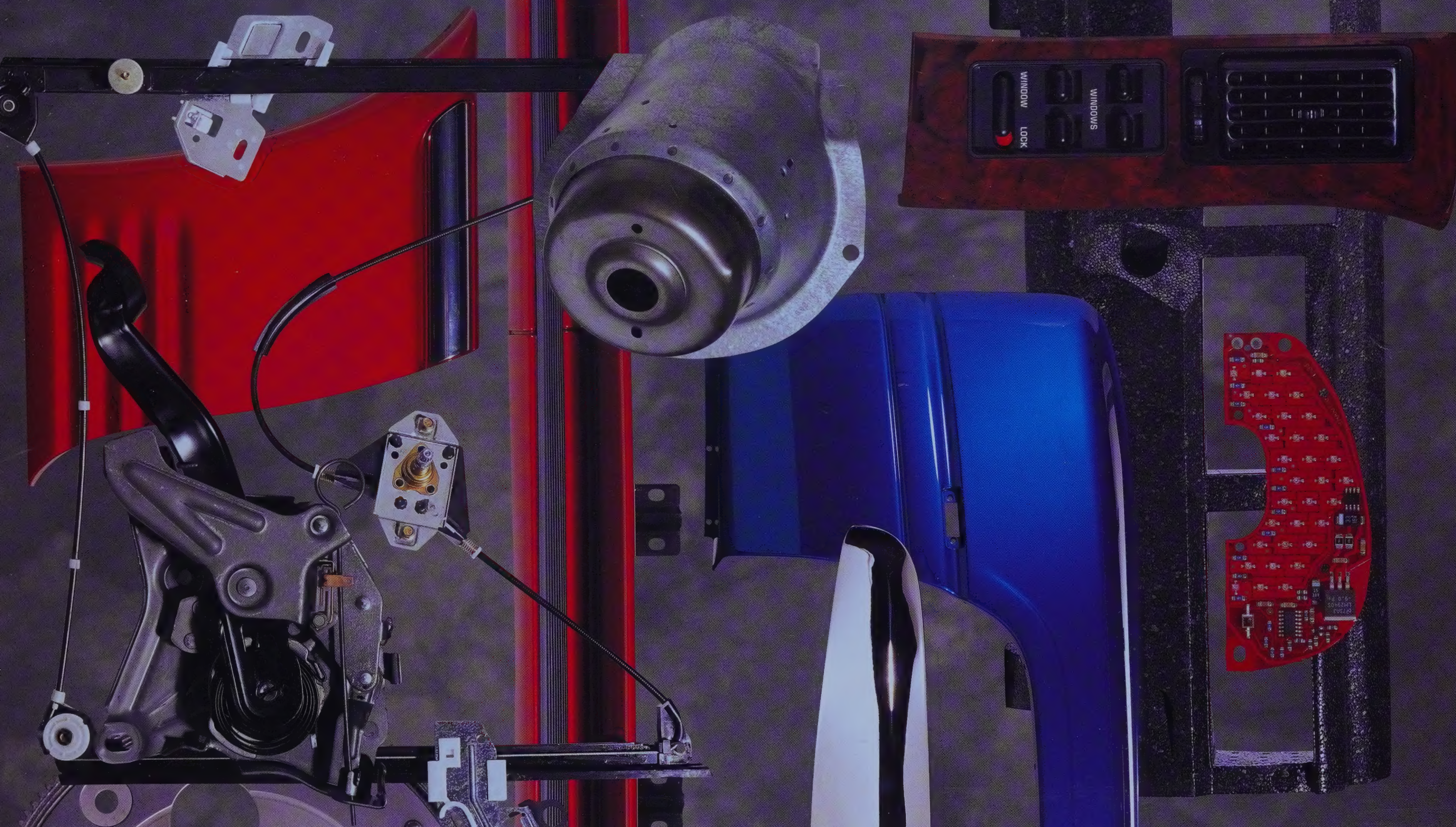
Stock Listings

Class A –	The Toronto Stock Exchange	(MG.A)
	Montreal Exchange	(MG.A)
	New York Stock Exchange	(MGA)
Class B –	The Toronto Stock Exchange	(MG.B)

Dividends

Dividends on Class A Subordinate Voting and Class B Shares were paid on January 15, 1997 at the rate of Cdn. $0.27 per share and on each of April 15, July 15 and October 15, 1997, at the rate of Cdn. $0.30 per Share. Dividends on Class A Subordinate Voting and Class B Shares, when payable to holders who are non-residents of Canada, are subject to withholding tax at a rate of 25 per cent unless reduced according to the provisions of an applicable tax treaty. Currently, the reduced rate applicable to dividends paid to a resident of the United States is generally 15 per cent.

Products & Services



MAGNA

DECOMA EXTERIOR SYSTEMS

Front & Rear Bumper Systems
- Spoilers & Grilles
- Modular Lighting
- GOP Mouldings & Nerf Strips
- Energy Management Systems
- Front & Rear Bumper Fascias
- Complete Front & Rear End Modules

Greenhouse Systems
- Backlite Mouldings
- Belt & Windshield Mouldings
- Pillar Appliques
- Door Surround Mouldings
- Roof Drip Mouldings
- Cowl Screens

Body Side Systems
- Body Side Mouldings & Claddings
- Wheel Opening Mouldings
- Appearance Enhancement Packages
- Rocker Panels/Running Boards
- Stone Guards/Mud Flaps

Vertical Body Panels
- Front & Truckside Fenders
- Door Panels
- Quarter Panels

Lighting Systems
- LED Rear Combination Lamps
- CHMSLS
- Modular Lighting Systems
- Auxillary LED Lighting

Sealing Systems
- Door Primary/Secondary Seals
- Inner & Outer Belt Seals
- Glass Run Channels
- Sliding Door, Pop-Out Window & Liftgate Seals
- Complete Convertible Sealing Systems

Polymeric Glazing Systems
- Backlites & Quarter Windows
- Decklid Appliques
- Headlamp & Tail Lamp Lenses
- Fixed Vent Windows
- Sun Roof, T-Tops & Targa Roofs

Finishing Capabilities
- Solvent & Waterborne Painting
- One/Two Components Painting
- Anoplating/Anodizing & Anolok
- Hardcoating
- Chrome Plating (Metal & Plastic)
- Dedicated & Synchronous E-Coat & Top Coat Facilities

Roof Systems
- OEM & Aftermarket Convertible Top Systems
- Easy-to-Use Roof/Luggage Racks

Enhancement Package Systems
- Tonneau Covers
- Spoilers
- Running Boards
- Wheel Flares
- Ground Effects
- Hard Tops

MAGNA

COSMA BODY & CHASSIS SYSTEMS

Chassis Stamping Modules & Systems
- Crossmember Assemblies
- Engine Compartment Panels
- Radiator Supports
- Shock Towers
- Transmission Supports
- Engine Cradles – Stamped & IHV

IHV(Hydroforming) Modules & Systems
- Engine Cradles
- Radiator Supports
- Full Frames
- Instrument Panel Reinforcements
- Suspension Members
- Control Arms

General Stampings
- Armrest Supports
- Seat Belt Anchor Plates
- Instrument Panel Supports
- Door Intrusion Beams – Stamped & Roll-Formed
- Floor Pans – Stamped & Roll-Formed

Bumper Stampings & Systems
- Aluminum Impact Bars
- High-Tensile Steel Impact Beams
- Stamped & Roll-Formed Bumper Beams

Engine & Brake Related Stampings
- Oil Strainers
- Oil Pans
- Heat Shields
- Water Pumps
- Brake Backing Plates
- Master Cylinder Vacuum Shells
- Friction Welded Bearing Retainers

Body Sheet Metal Modules & Systems
- Body Side Assemblies
- Door Assemblies/Hood & Deck Assemblies/Roof Panels
- Rear Quarter Panels
- Tailgate/Liftgate Assemblies
- Medium/Large Stamping Dies/ Class A Dies

Finishing
- E-Coating
- Powder Coating
- Aluminum Heat Treating

Design & Engineering
- Complete CAD/CAM Capabilities
- Complete Body Engineering
- Complete FEA
- Prototypes
- Concept Vehicles
- Laser Trimming/Welding
- Complete Testing – Component/ Module/System

MAGNA

MAGNA INTERIOR SYSTEMS

Seating Systems
- Modular Seat Assemblies (Cut & Sew – Mould in Place)
- All Belts to Seat
- Headrests and Armrests
- Moulded Seat Cushions
- Integrated Child Safety Seat
- Integrated Airbag Restraints

Seating Hardware Systems
- Seat Frames
- Risers
- Adjustors
- Mechanisms
- Recliners
- Easy Entry
- Tip Fold Tumble

Interior Trim Systems
Overhead Systems
- Modular Systems
- Urethane/Fibreglass Headliners/PET

Panel Systems
- Instrument Panels/Consoles
- Interior Trim Panels
- Sunroof Sunshades
- Integrated Airbag Restraints
- Package Trays

Testing Services
- FMVSS Series 200 Compliance Testing
- OEM/Supplier Validation Testing
- Closure System Testing
- Equipment Sales and Development
- ISO 9001 Certified

MAGNA

MAGNA MIRROR SYSTEMS

Products
- Exterior Mirrors
- Signal Mirrors
- Mirrors with Memory Function
- Interior Mirrors
- Interior Mirrors with Infrared Theft Protection
- Grab Handles
- Interior Lights
- Air Vents & Grilles
- Sun Visors
- Body Trim Strips & Mouldings
- Encapsulated Glass

Electric Technologies
- Single Pivot Powerfold Actuator
- Car Memory Powerpacks
- Truck Memory Powerpacks

Advanced Technologies
- A.M.P.S. (Advanced Mirror Positioning System)
- Extend-A-View (Wide Field of View)
- Multiplex Powerpacks

Design & Engineering
- 6 Design & Development Centres
- Full Customer Support

Complete Certified Testing Lab

MAGNA
ATOMA CLOSURE & ELECTRONIC SYSTEMS

Closure Systems
- Door Hinges – Stamped, Cast & Profile
- Door, Hood & Decklid Latching Systems
- Sliding Door & Liftgate Latching Systems
- Electronic Latching Systems
- Door Checkers
- Door Handle Assemblies
- Release & Control Cables
- Remote Hood, Fuel Door & Decklid Release Mechanisms
- Door Strikers
- Fuel Filler Doors
- Window Regulators – Cable & Drum, Arm & Sector
- Modular Door Assemblies
- Complete Door Systems
- Power Sliding Doors
- Power Liftgates
- Roof Bows/Roof Rails
- Headers
- Sunroof Systems
  – Electric Sliding & Tilting
  – Electric Spoiler
  – Manual Sliding
  – Pop Up

Electronic Systems
- Switches
- Door Lock, Power Cinching, Liftgate Actuators
- Thermo-Electrics
- Electronic Control Modules
- Electronic Display Modules
- Electronic Audible Modules
- Switchplate Assemblies
- ABS/VAPS Coil Modules
- Interior Lighting
- Beverage Mate
- Gear Shift Indicators (PRNDLs)
- Multiplexed Systems
- Low Current Switching

Components
- Clutch & Brake Pedal Assemblies
- Accelerator Pedal Assemblies
- Hand & Foot Parking Brake Assemblies

MAGNA
TESMA POWERTRAIN SYSTEMS

Rotational Drive Technology
- Accessory Drive Belt Tensioners & Systems
- Mechanical Timing Belt Tensioners
- Drive Shaft Assemblies
- Idler Assemblies
- Shaft Decoupler Mechanisms

Rotational Products Technology
- Alternator Pulleys
- Crankshaft Pulleys
- Water Pump Pulleys
- Power Steering Pump & Pulley Assemblies
- Phenolic Pulleys
- Aluminum Pulleys
- Air Conditioning Clutch Rotors
- Crankshaft Isolators
- Torsional Vibration Dampers

Power Transfer Technology
- One & Two-Piece Flexplates
- Roll-Formed Transmission Components
- Die/Flow Formed Automatic Transmission Components
- One-Piece Clutch Pistons
- Fineblanked Components
- Aluminum Diecast Components
- One-Way Spiroidal Clutches

Liquid Transfer Technology
- Fuel, Radiator & Oil Caps
- Thermostat Housings
- Fuel Filler Necks
- Water Outlet Pipes
- Vapour Recovery Valves
- Encapsulated Metal Plastic Components
- Fuel Filler Modules

Powertrain Modules
- Oil Pumps
- Water Pumps

** 50:50 Joint Venture Magna:TRW*
*** 20:80 Joint Venture Magna:TRW*

MAGNA
EUROPE

Body & Chassis Systems
- General Stampings
- Platform Systems
- Crossmember Assemblies
- Hydroforming Modules
- Structural Systems
- Chassis Systems

Interior Systems
- Instrument Panels
- Cockpit/Console Parts
- Door/Trim Panels
- Sound Insulators
- Automotive Carpets
- Complete Seating Systems
- Seating Frames
- Components
- Design & Engineering

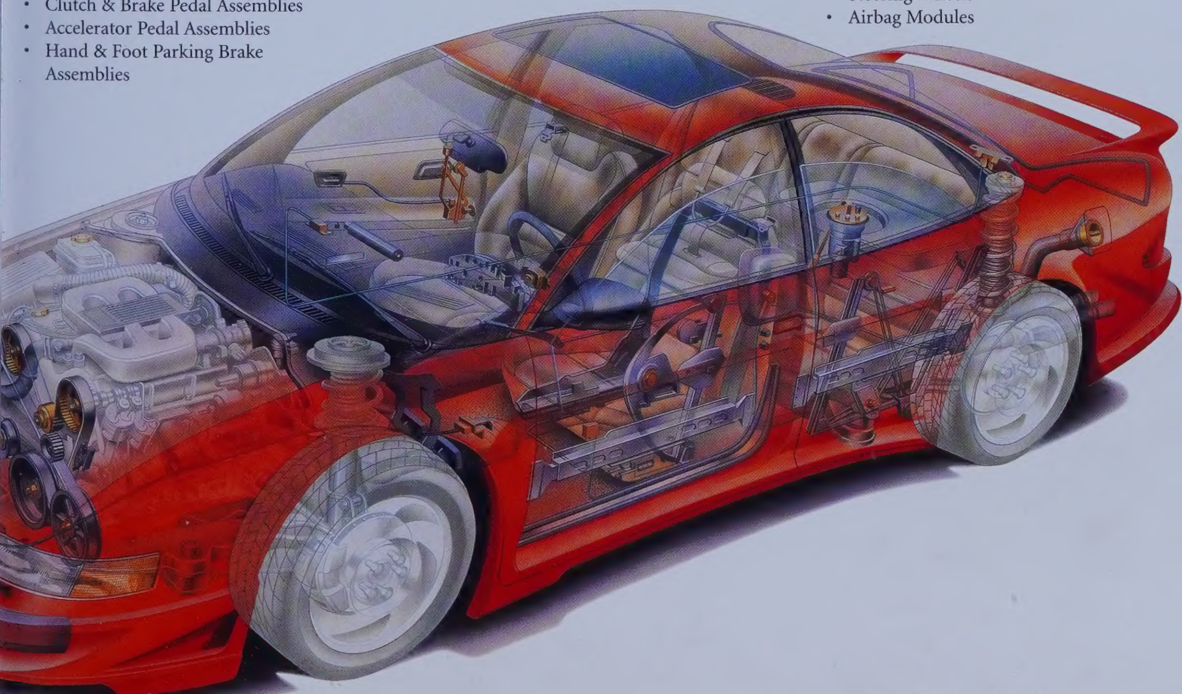
Exterior Systems
- Bumper Systems
- Exterior Trim Parts
- Body Side Mouldings

Mirror Systems
- Exterior Mirrors
- Signal Mirrors
- Interior Mirrors
- Alternative Mirror Systems
- Sunvisors
- Loudspeaker Fretts
- Glass Encapsulation
- Grab Handles

Engineering
- CAD/CAE/CAM Design
- Model Engineering
- Prototype/Tool Shop

Joint Technical Center *
- Crash Tests
- Testing Facilities
- Computer Simulations

Safety Systems **
- Steering Wheels
- Airbag Modules



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